

Top Ten Tax write-offs missed by business-owners!



Ten Ways to Save \$10,000 or
more on your next tax bill!

Provided by Strategic Tax Coach.

strategictaxcoach.com

As a business owner, self-employed person, or entrepreneur you want, and need, to keep as much cash as possible in your pocket.

There are lots of tax preparers out there, and most of them do not specialize in actually reducing your tax. Their focus is on preparing the tax return; taking the numbers that you already have and filing them

with the government. Which keeps you in good graces with the IRS, but doesn't maximize the money you can legally keep.

Below are the **Top 10 Missed Specialty Deductions** specifically for business owners, self-employed people, and entrepreneurs. If you're ready to save serious money on your taxes, the largest expense for most people, then read on and prepare to save! **(Make sure you read ALL the way down! There is a special bonus at the end!)**

1) Take (tax) advantage of your children

If you have kids over the age of 7 and under the age of 18, you have a veritable tax goldmine. Stick with me here...

You are allowed to pay children over the age of 7 to work in your business. How to do this will vary depending on how your business is structured.

A sole proprietorship business is the most common and easiest to work with for this tip. You can pay each child upwards of \$12,200 per year (2020). The income can be used to pay for anything they wish outside of parental duties (so it can't be used for food, clothing or shelter).

A few things to note:

- most of our clients put the first \$6000 into a Roth IRA in the name of the child. Because the income is earned, the child can create a Roth IRA account.
- Most children have outside activities like schooling, karate, music lessons, swimming, tennis, and a multitude of other activities. Earned income can be used to pay for these activities but NOT basic parental duties such as food, clothing, or shelter.

Average Savings*: \$2,500 per year, per child

2) If you hired your kids, educate them

Any employee on the company may be offered a tuition reimbursement program. Up to \$5,250 each year of tuition reimbursement is tax-free income to the employee. Reimbursing in this way is a benefit not only to any regular employee but clearly, if you have a child or two, this can give you some amazing deductions against your income, often saving you not only income-tax but also self-employment tax. (age 21+)

Average Savings*: \$1,850 per year per employee

3) Retirement, retirement, retirement-everyone talks about it but do you know how to maximize it?

There are multiple options for retirement. 401(k), IRA, Simple, SEP, the list goes on and on. The structure your company and your wages changes the way and the amount of retirement that you can put away.

You've probably heard that the maximum amount that you can put away is in the range of \$50-\$60,000 a year depending on your age. But did you know that you can put away *a lot more than that?*

There are specific types of retirement plans called Defined Benefit plans into which you can place \$150,000+ each year. If you've got the spare cash, creating and funding a retirement plan is a way hang onto more of that money.

Average Savings*: \$200,000+

(these figures get big very fast especially if you start young - not only do you obtain the tax savings for putting away the money you also have the growth and earnings)

4) Form a C Corporation

C Corporations can be a tricky business. If set up correctly, you can earn upwards of \$250,000 of tax-free income over the span of 5 years. If formed incorrectly, they can cost you very high tax percentages very quickly.

If you have a way to split streams of revenue in your business, a C Corporation may be the way to go. Not only can you get some hefty tax benefits (21% tax rates!) but you can also obtain a lot of personal benefits and additional deductions that only a C corporation can provide.

Average savings*: 100% of the tax on \$250,000; Additional savings on additional fringe benefits using a C Corporation \$3,400/year

5) Use independent contractors instead of employees

When you run a business, you understand the importance of having people around you who specialize in various areas. Employee specialization frees you up to work on projects and tasks where you can provide the most benefit.

The question that is rarely asked is whether to hire contractors or employees. Employees, while they provide you more control, are also much more expensive than contractors. Even though it can appear that the contractor rate is higher, employees have significant costs over and above the simple salary number.

We highly recommend you use contractors rather than employees. There are some IRS regulations as to when you can use one over the other. As long as you follow the rules, this can be a much more beneficial and less costly deduction for your business.

Average Savings*: \$2,600/year per contractor
(not only tax savings but also lower overhead savings)

6) Using points and airline miles from your credit card – and other perks

A little-known fact is that the IRS does not track points and airline miles that are obtained using your credit cards. This means points and airline miles that have been acquired using a business credit card can be used for personal purposes.

Often credit card companies like American Express will allow you to combine points between your business and personal accounts. One of my personal favorites is the ability to use points from American Express on the Amazon website.

A secondary perk, especially if you travel a lot, is that your miles and points can be used to upgrade you into business-class or first-class on flights. We always recommend, especially with airlines, that you try to stick with a particular airline or airline group, so that gives you the most benefits when you travel.

Average Savings*: \$5,540/year

(no travel flight costs and other point purchases perks - depending on how much you travel, this can increase significantly)

7) H.S.A.'s – Health Savings Accounts

Did you know that you can use a health savings account to reduce your adjusted gross income on page 1 of your tax return!

If you meet the minimum qualifications, the government will allow you to put additional funds into this specialty type of account that can cover medical expenses if you need in the future. The limitations on this type of contribution change each year, so make sure that you are discussing this with your Strategic Tax Coach or CPA (hopefully they've already brought it to your attention) to see if you qualify and how much you can contribute each year.

A side benefit, if you don't need the money, and don't use it, you can use these funds as additional retirement type funds after the age of 65.

Average Savings*: \$1,778/year

8) Using tax-free fringe benefits

Depending on the type of company structure that your business has, there are potentials for tax-free fringe benefits for you as an owner.

These benefits can include medical coverage, various retirement plans, massages, events and entertainment, education, and much more. When is the last time that you looked at what you are paying for personally to determine whether or not your business can pay for it on your behalf and obtain a deduction?

Average Savings*: \$6,575/year

9) Borrowing money from your business

As an owner, you are allowed to borrow money from your business on a no or low-interest rate basis. This loan does need to act like a proper loan, with payments, and a documented agreement, but as long as you maintain the loan properly, the IRS will not challenge it.

If the interest rate is below IRS-set rate, the business may have to report interest from this arrangement, but with interest rates as low as they have been, this isn't too costly. Obtaining a loan from your business is typically much less expensive than getting a loan from a bank or your credit cards. Especially if you want to invest in something outside of your business, real estate, purchasing a vehicle, financing a remodel, etc. this is an excellent way to do it.

Average savings*: 3-24% interest cheaper than other borrowing methods. Depending on the amount borrowed this can be very expensive and create savings.

10) Having your business pay rent to you

A little-known loophole in the law is called the Masters Exemption. It comes from the Masters golf tournament.

You are allowed to rent your personal residence to anyone you wish and as long as the rental days are 14 or less any income that is earned from that rental is 100% tax-free. Note that you are allowed to do this on any property that you own.

In order for your business to be able to deduct the rents paid, there needs to be a business purpose for the event and the rents must be at the fair market value for rental of your property for that day.

We highly recommend that if you intend to implement the strategy that you clarify any other additional requirements to meet the strategy with your CPA. Although this is perfectly legal in the tax code, and as you can tell even has a specific name, the Masters Exemption. Not all CPAs will allow you to utilize this strategy.

Average Savings*: \$14,000/year of tax-free cash income to you & tax savings of \$4,800/year.

PLAN NOW – SAVE AT TAX TIME

These missed deductions are just the tip of the iceberg.

The average savings for clients with a Strategic Tax Coach tax plan is **over \$32,607 a year.**

Schedule your complimentary 15-minute consultation to find out how much money you should be keeping.

[Schedule My Free Call Right Now!](#)

Join the thousands of other taxpayers that have already saved thousands on their tax bill and put the money in back in their pockets!

BONUS TIP

Launch another Business

As a business owner you already know that this is one of the most important things that you can do. Being an entrepreneur can improve your tax situation because business owners can take over more control of how they pay their taxes.

You can choose to keep more money in your company; you can elect to draw it as income, reinvest it, and determine what costs are expenses. If you are reading this article, then you likely already a business owner. But if you aren't, and are thinking about becoming a business owner, this is the absolute #1 strategy I recommend to all W-2 employees and those currently without a business.

Average Savings*: \$4,350 off of your tax bill in the first 2 to 3 years

*All savings figures are averages based on our historical plan performance across our past clients and their particular set of circumstances. These results may or may not be the same for you in your unique situation. These are simply to be used as example numbers and not estimates or promises of future performance.