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Tax Planning Strategies for Business Owners

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7 Tips to Maximize Your Tax Savings

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Set-up a S-Corp

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1 Why an S-Corp?

LOWER
Social Security & Medicare tax

- **Save up to $10K annually**
  - Profits from an S corporation are NOT subject to Social Security or Medicare tax. **This tax can be as high as 15.3% of the profit.**
  - Profits from an S corporation are NOT subject to local earned income tax. **This tax ranges from 1% to 3%.**

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1 Why an S-Corp?

Sole Proprietorship vs. S-Corp

Revenue
$140K

– Operating costs
$40K

Taxable Income
$100K

Taxes to pay	Sole Proprietorship	S- Corp (assumes $50K in a payroll)
SS and Medicare	$15,300	$7650
Federal Income Tax (24%)	$24,000	$24000
State Income Tax	$3,070	$3070
Local Income Tax (1%)	$1,000	$500
Total taxes paid	$43,370	$35,220

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S-Corp Tax Savings $8150

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1 Why an S-Corp?

S-Corp Tax Savings

$8150

$8150 x 10 Years =

$81,500

$8150 x 5% interest per year x 10 year =

Approx $100K

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Maximize Your Vehicle Expenses

2 Vehicle Expenses

First-Year Deduction:

Up to

89%

of your vehicle

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2 Vehicle Expenses

First-Year Deduction:
Up to
89%
of your vehicle

Other Options:

Mileage:
$0.67 per mile

OR

Actual Expenses:
Gas, Repairs, Loan interest, Depreciation and Insurance

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2 Vehicle Expenses

Depreciation

OR

Year	Vehicle less than 6K lbs GVW- $80K Cost	Vehicle greater than 6K lbs GVW- $80K Cost
1	$20,400	$71,200
2	$19,800	$2,816
3	$11,900	$1149
4	$7160 each year until complete	$557
Total	**$59,2960**	**$75,722**

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Home Office Deductions

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3 What makes it a home office?

- The space you're using for business must be used exclusively for conducting business. For example, using a spare bedroom as both your office and a playroom for your children probably makes you ineligible.

- Your home office doesn't have to be the only place you meet your clients or customers, it must be your principal place of business. That means you use the space exclusively and regularly for administrative or management activities, such as billing customers, setting up appointments and keeping books and records.

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3 What's deductible?

100%

- Furniture purchased entirely for office use
- Office equipment, such as computers, printers and scanners
- \Home office repairs & maintenance

PARTIALLY

- Real estate taxes
- Mortgage interest
- General repairs to home
- Water, sewer, garbage
- Home insurance
- Rent
- Depreciation on home
- Security system

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Employ Your Children

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4 How does it work?

Under federal law, children younger than 16 years of age working in nonagricultural employment in a business solely owned by their parents, may work any time of day and for any number of hours. So, your 14-year old can do data entry in your home-based business.

4 reasons why:

- Tax-free income
- Resume builder/build work ethic
- Retirement savings
- Succession planning

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4 Why start a Roth IRA for your kids?

Savings $3 K

14

Roth IRA $7 K

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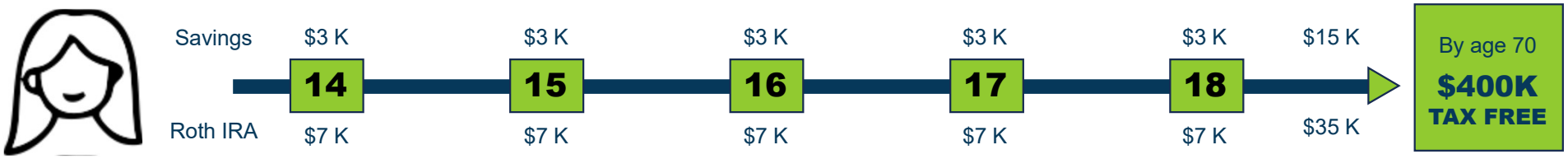
4 Why start a Roth IRA for your kids?



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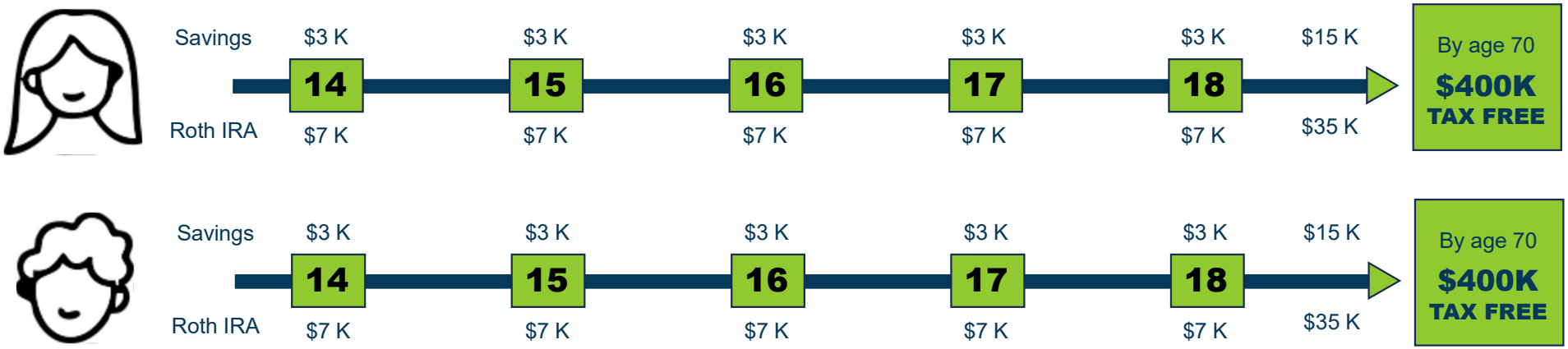
4 Why start a Roth IRA for your kids?



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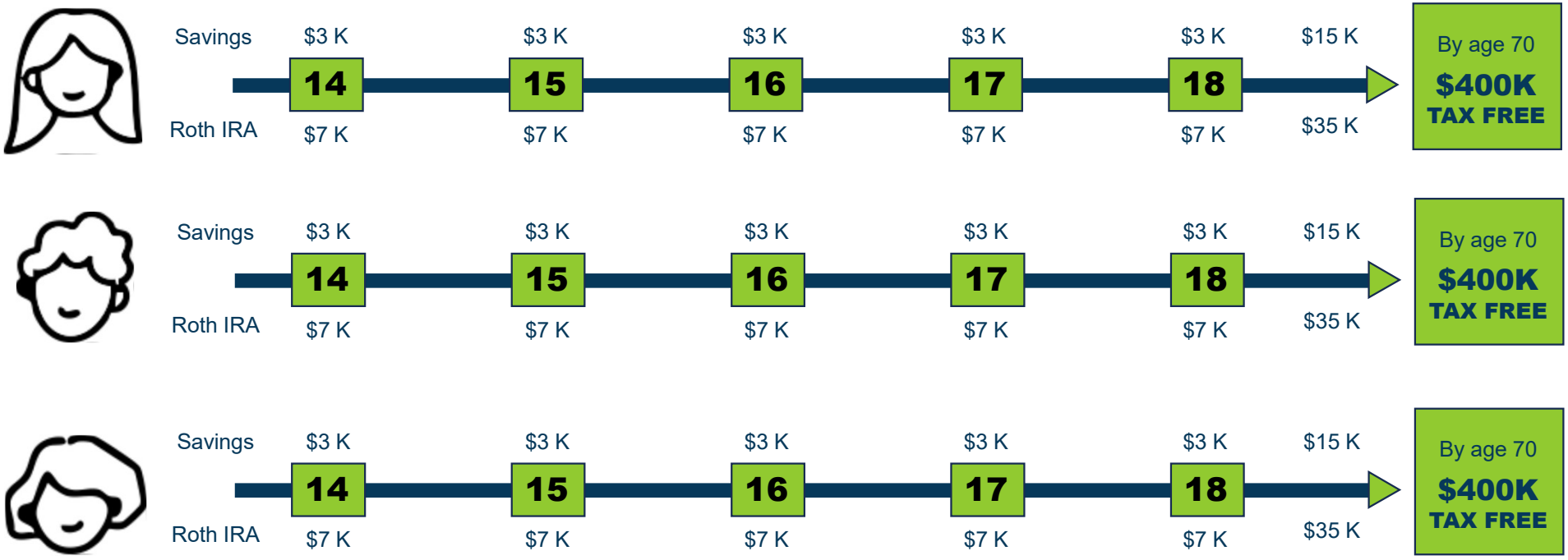

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Start a Health Savings Account

5 What is a Health Savings Account?

An HSA is offered in conjunction with a high deductible health plan (HDHP). Deposits all or a portion of your deductible into an HSA to cover costs until the deductible is met and the health insurance policy takes over the financial burden.

How much can you invest?

- Single - $4,150 yearly
- Family - $ 8,300 yearly
- 55 or older- +$1000 more yearly

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5 What is so great about an HSA?

Pretax dollars:

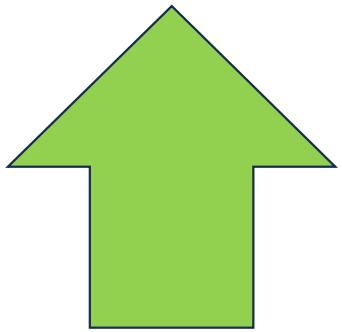
Reduces

reported yearly income

Rollover

unused funds and reinvest to save for later*

*Withdraw at anytime with a penalty fee



$ Grows tax free as long as used for medical expenses

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5 3 Strategies to do with money in a HSA?

#1

Use money in account to pay medical bills that occur during the year.

#2

Invest money in the HSA for 10 plus years. Use money from other sources to pay annual medical bills. HSA can be used similarly to a long-term care insurance account.

#3

Invest money for 10 plus years. Use money from other sources to pay annual medical bills. Keep medical bill receipts and reimburse self from HSA account. This is a way to draw money that will not cause a taxable event.

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Capitalize on travel expenses

4 Deduct Travel Expenses for Work

LOWER

your taxable income

Strategy:

Deduct travel expenses when trips serve a business purpose.

Deductions include:

- Airfare and lodging for business trips.
- Spouse's airfare if employed by your business.

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Invest in your retirement

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7 What retirement plan is right for you?

	SEP	Simple	401 (k)	Defined Ben
Max Contribution	$69k	16,000-$19,500 (if 50 or older) for 2024. Plus 3% company match. Total Max Contribution $26,350	2024-$23,000-$30,500 (if 50 or older). Match can range from 0% to 25%. Total Max Contrib. $69,000-$76,500	$275 K-Actuarial analysis needed
Tax deduction	Yes, if traditional. No, if Roth.	Yes, if traditional. No, if Roth.	Yes, if traditional. No, if Roth.	Yes
Admin Costs	Low	Low	Higher	Higher
Who Contributes	Employer	Employee and Employer	Employee and Employer	Employer

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7 What retirement plan is right for you?

	SEP	Simple	401 (k)	Defined Ben
Salary	$100,000	$100,000	$100,000	Need to consult Administrator
Max Employee deferral under 50 y/o	0	$16,000	$23,000	
Max Match %	25%	3%	25%	
Max Match amount	$25,000	$3,000	$25,000	

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Thank You

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