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9 Powerful Tax Tips Every Business Must Know!

- Tip #1 If your business is profitable, which we all hope to be, a perfectly legal way exists to both save taxes and protect yourself. Incorporating your entity could save you both Self-Employment Taxes (15.3% of whatever your business profit is) and Federal Income Taxes. There is a breaking point wherein it becomes exponentially more valuable to be taxed as an S Corporation (not an LLC, and not a C Corporation).
- Tip #2 In any business or personal tax situation, there is a “best” time to pay taxes. If you fail to plan this timing accurately, not only could you lose savings, but you could be charged more in taxes, penalties and interest. Experienced tax planning can easily save you 5% - 20% of your total liability to the IRS.
- Tip #3 Officers of corporations have 5 ways to be compensated from their business. Salary is just one, and is the most costly form of income in the tax code! Most take far too high a salary. Taking non-taxable dividend distributions to shareholders, return on investments and loan repayments, and some forms of expenditures through the business can provide a shareholder with other options that are not as highly taxed, or not taxed at all. This alone could be a reason to incorporate.
- Tip #4 Who is a shareholder in your corporation? In certain circumstances, your most valuable, but possibly your most costly, employees could suddenly become much less costly. Then, what are you paying your employees? Just hourly wages? And, how are they remunerated when they do well? A taxable bonus? Benefits, rewards, mileage reimbursements, and other forms of remuneration to all stakeholders in your business could save tax dollars.
- Tip #5 Record keeping is so critical. Not just bookkeeping, but all forms of recordkeeping relating to recording cash expenditures you make from the business, mileage for all vehicles related to the business, and business use of all personal assets and resources (like personal phone and home office). Depending upon your tax situation, these often missed items could save literally \$1000's of tax dollars.
- Tip #6 Many unexpected things can cause your business to be reviewed or audited by any of the taxing authorities. Effective systems for accurate payroll and tax payments, wisely taking an appropriate compensation from the business, reporting comparable numbers among payroll and excise tax reports and federal income tax reports, and timely paying every tax can save you money and an exhausting, timely audit. And,

the rates charged by taxing authorities is multiple times more costly than getting a loan if necessary to pay back taxes, especially if not paying results in an audit.

Tip #7 There are literally thousands of tax shelters, tax credits and reductions in taxable earnings. Did you install windows in your home or any form of energy savings device? Do you hire certain types of employees? Do you invest in long-term real estate holdings and want a tax credit for doing it? Is your gross income less than \$100,000 per year? For businesses, individuals and estates and trusts, review the many possible tax credits and deductions with a professional (unique to your income situation) to see if you could be saving money.

Tip#8 Have you ever wondered whether to buy a car or lease one and which would be the best deduction for your business? There are two basic thoughts to consider. First how long will you be using this vehicle in business. If this vehicle will be used for only a few years, then leasing is the way to go. Leasing gives you a lower payment which will allow you to invest more into your business. Besides the lease payment, you are allowed to deduct gas, maintenance, insurance, taxes, all expenditures on the vehicle. If you plan to keep this vehicle for 5 -10 years then purchasing the vehicle is better. Not only can you deduct the mileage rate (which is easier) but you still are allowed the interest paid on any loans for the vehicle and taxes. Because of limits on depreciation and lease payments, also the limited repairs on newer vehicles the mileage deduction is usually the most advantageous.

Tip#9 If you are a sole proprietor have you ever thought of hiring your wife and kids and what advantage this would provide! By hiring your wife as an employee you would be able to deduct your medical for the whole family, and also build up her social security. Your kids under 19 would not have to pay into social security and would not have a tax liability until their income reaches \$5000.

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