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www.TaxCoach4You.com

About Diane Gardner

Diane Gardner, Your Tax Coach, is a best-selling author and a Quilly Award recipient. She is also a Certified Tax Coach and an Enrolled Agent.

Diane's expertise lies in the area of tax planning. Her goal is to make sure successful entrepreneurs across the United States are paying the least amount of income tax they can legally pay. As a tax coach, she offers a FREE tax analysis for those interested in finding out if they are overpaying their income taxes. Her goal is to save taxes one business at a time through the use of pro-active tax planning.

Diane is also a believer in the mastermind and coaching concepts. She leads the "Business Breakthrough Mastermind Group" and offers coaching services to other entrepreneurs.

In her "spare time", Diane enjoys writing books. Her books are available on this website and on Amazon. Her book, "Stop Over Paying Your Taxes" is a compilation of actual case studies from her clients which makes this book a very interesting read. (Names and other private information have been changed to protect clients' privacy.)

Family is vitally important to Diane and she is proud to be happily married to her husband, Mike. She also has a daughter and a grandson whom she adores. Diane's love of the outdoors often leads her outside for family camping, Dutch oven cooking, walks in the woods, bonfires, and picnics.

She is active in her church and gives God the glory for her accomplishments. Being community minded, she is active in several local Chambers of Commerce and serves on the board of the Twin Lakes Friends Camp.


STOP
OVERPAYING YOUR TAXES!
9 Ways Entrepreneurs & Small Business Owners Can Keep More of What They Earn!
Diane Gardner • Your Tax Coach

Jim Palmer: Hello, everyone. This is Jim Palmer, your Dream Business Coach. I'd like to welcome you here for this very special interview. I'm actually going to call it a virtual training program. That's how much content is going to come out of this. As someone who's interviewed literally hundreds of entrepreneurs and small business owners in just about every niche you can imagine, I'm just so excited to interview today someone who I greatly admire and respect, serial entrepreneur Diane Gardner.

Let me just tell you before I introduce Diane. Today we're going do what I call a deep dive into an area of business that not too many entrepreneurs get into. They kind of put it off or they never get to it. As a result, I really fear that they leave far too much money on the table. I have an expression gross is for vanity and net is for sanity. So in business, folks, it's really about how much you can grow your business, how much revenue you take in. That's all good by doing some great marketing and always providing value, etc., but it also means paying the least amount in taxes that you're legally required to pay. That, in addition to controlling your expenses, is how you actually get to keep more of what comes in.

So, specifically, this business building program is not going to tell you the top ten things you can do right now to get more YouTube views or anything like that. But the information that Diane is going to share on this extended call will absolutely make you more money. If making more money, and specifically keeping more of the money you make, is your goal, then you are going to love this call. It's action packed. It's going to be a nugget rich interview. I've spent probably more time preparing for this than most other ones, because this is a little outside my wheelhouse. So I'm going to count on Diane to do most of the heavy lifting here.

So let me tell you a little bit about my special guest, Diane Gardner. She is an expert tax coach. She's a Quilly Award Recipient and bestselling author whose proactive planning approach gives clients a leg up on Uncle Sam and helps them dodge the tax bullet. Diane routinely saves small business clients between $5,000 and $50,000 in as little as sixty minutes. Her tax coaching sessions have resulted in a combined savings of over $503,000 to date. Now, that's a number which Diane actually puts on her website. So that is very cool. So there's one marketing tip for you in this interview.

She's saved over $503,000 of combined taxes for her clients to date, hard earned profits that small business owners would have given to the government by overpaying their taxes. That is a giant wow! Leaving no deduction or credit unexamined. Diane insures entrepreneurs like you pay the least amount of taxes required by law. As a licensed Enrolled Agent (EA), Diane prepares tax returns and helps taxpayers nationwide maximize profits and tax savings. Again, as I said, she's a Certified Profit First Professional, Quick Books Pro Advisor, an Accredited Tax Preparer, and has elite certification as a Certified Tax Coach.

She is the co-author of the bestselling books "Stand Apart" and "Why Didn't My CPA Tell Me That?" She's also authored four other books, including her newest "Stop Overpaying Your Taxes, Eleven Ways Entrepreneurs Overpay and How to Stop It Now." Diane also created the nationwide "Get Off the Wheel Practice

Management for Accountants and Virtual Mastermind Program" and leads the "Business Breakthrough Mastermind Group" in her hometown of Rathdrum, Idaho. Diane enjoys spending time with her husband, daughter, and grandson in her spare time, which for most entrepreneurs is not that much I'm guessing. She serves on the board of the Twin Lakes Friends Camp, which offers summer camp programs for kids, and is active in her church, and community organizations and several local chambers of commerce.

In full disclosure, Diane and I have known each other for many years. We're good friends and she's also a longtime member of my Dream Business Mastermind and Coaching Program. So, Diane, I've just done all the talking I'm going to do now. I'm going to ask you to take over. How are you doing today?

Diane Gardner: I'm doing great, Jim. Wow, what an introduction. It sounds like somebody's been busy.

Jim Palmer: Yeah, you've got a lot to live up to, girl.

Diane Gardner: I do. Wow**,** I hope I can do this.

Jim Palmer: Now, first of all, did I mess up the name of where you live? Is it Racedrum?

Diane Gardner: It's Rathdrum.

Jim Palmer: Rathdrum. Doggone it, the Yankees on the East Coast. Okay, Rathdrum, Idaho, very good. Diane, one of the reasons I wanted to have you on this program is because you're such an amazing entrepreneur and an outstanding tax professional. I greatly admire how much you want to help your fellow small business owners with your knowledge about tax planning. So, Diane, I have a lot of questions, probably far too many for our time together here today.

Again, I'm as excited to learn as our listeners are, but I want to start out by asking you how and why so many small business owners are overpaying their taxes. It seems like something that's counter intuitive. I know I don't want to do it. Again, in doing my research for this interview I think I read a report that you wrote called "Nine Ways Entrepreneurs Overpay Their Taxes". So if you would take a few minutes as we get started here and just share maybe some of the nuggets or maybe some of those nine reasons that entrepreneurs are overpaying their taxes, I think that would be a great way to get started.

Diane Gardner: Well, I'd love to share those reasons because I see them all the time and I just get so excited when I see people doing it wrong. I know we can fix it. We can save them some money. So let me just start with some of those ways that entrepreneurs overpay their taxes.

I would say the first way is that so many people are scared to death of the IRS. They see that notice from the IRS come in and they don't want to open it because they're afraid of what it says. They're just sure it's going to send them to jail or something. It's just such a huge thing, this fear of the IRS. If we can get our minds wrapped around that if you're doing things correctly, and if you have adequate records and you're not cheating on your taxes, but you're doing it the right way, you just really need to respect them and not fear them. It's a healthy respect, as opposed to this all out fear.

I see people walk in my office and they've got this envelope and they're holding it by the tiniest piece of the corner they can hold it and bring it in and they drop it on the counter like its hot and it's going to hurt them or scald them or something. I see that constantly, this huge fear of the IRS. So if we can get past that fear, then we can go ahead and start looking at different strategies that help people in their business and can start saving them a lot of money.

Probably the biggest way that I see people wasting money is having the wrong business entity. I'll just quickly go through the different types of entities. The first one is a Sole Proprietorship. Most people when they start out in business, especially if it's a home based business or an Internet based business, start out as a Sole Proprietor.

They really don't know anything about entity types. So if you do nothing, by default, you are a Sole Proprietor. A Sole Proprietor files a Schedule C on your own 1040 tax return. One hundred percent of the net profit of that business is subject to self employment tax in addition to federal and state income tax. The self-employment tax rate is 15.3%. That's a big chunk that you're going to add on to your taxes. Here in Idaho by the time you calculate federal, state, and self-employment taxes, you're close to 40% tax on the net profit of your business.

Other states are going to be somewhere in similar range for those that have a state tax.

Then, if their profit exceeds $117,000, they get to pay another 2.9% on income above that. So those figures start adding up and pretty soon they're paying 40 - 43% on that net profit when maybe they don't need to.

So let's look at another entity type. A lot of times they go into business with a friend or a family member or something like that. By default they are a Partnership, just a General Partnership, which files a Partnership tax return. The net profit passes through to the partners and then the tax is paid at the partner level. Here again, just like in the Sole Proprietorship, a hundred percent of the net profit is subject to self employment taxes of 15.3%.

A General Partnership, just like that Sole Proprietorship, does not offer any liability protection. That is probably more important today than it was 10, 15, or even 20 years ago, because we live in such a litigious society. People don't want to take responsibility for their own actions. They all want to blame it on somebody else. If they can find a way to blame it on you and your business, they certainly will. So we're really looking at liability protection almost as much as the tax filing side of things anymore, which leads us into the next entity. Corporations - there are two different types of Corporations.

There's the C Corporation, which is a separate legal entity. You see more of these in the bigger corporations out there, the ones that are sold on the stock exchange and that type of thing. There are some smaller businesses that are C Corporations.

They consist of one or more people. It files its own tax return and it pays its own tax. The income does not flow through to the shareholders. Corporations do offer some liability protection. You hear people talk about corporations and the monies being doubly taxed. What they're talking about is the salaries are taxed through the shareholders when they take money out in salaries. Then at the end of the year the corporation declares a dividend, which gives those shareholders some additional money. The dividend is not deductible to the corporation and it is taxed again at the personal level.

So C Corporations do have some double taxation on them. They require shares of stock to be issued, annual shareholders meetings to be held, minutes to be taken at those meetings, a lot of paperwork that generally small business people don't want to do. I have a hard time getting my corporations to make sure they have those meetings and take those minutes, because if not, they pierce their corporate veil. If you pierce your corporate veil, then you lose that liability protection that you were trying so hard to get.

The next type of Corporation is an S Corporation. It also is a separate legal entity. It can consist of one or more people. The liability for the business is generally limited to your investment in that corporation. This means that generally if you have not pierced your corporate veil, if you're sued, they can't reach through and grab your home or your personal assets from you.

An S Corporation does file its own separate tax return, but unlike the C Corporation, the profits are passed through to the shareholders. The profits aren't subject to self-employment tax like they are at a partnership or sole proprietorship level. It does offer limited liability protection and, just like the C-Corp, it requires shares of stock to be issued, annual shareholder meetings to be held, and minutes to be taken at those meetings. These items need to happen every year.

So, again, we find people get lazy and they don't want to file all the paperwork. They get busy and they're just not even thinking about it. All of a sudden, three years later they haven't done their shareholders meetings or their minutes. They may have pierced the corporate veil without even knowing it.

One of my favorite entity types is a Limited Liability Company. A Limited Liability Company can be a single person or it can be multiple people. It's organized under state law so the IRS considers it a disregarded entity, which allows a lot of flexibility. It's not a separate legal entity for tax purposes, but it offers limited liability protection under the various states. Now, there are states that are LLC friendly and there are states that are not LLC friendly, like the State of California who charges a gross receipts tax. So you don't see very many LLC's in California. Many of the other states are fairly LLC friendly.

One of the nice things about an LLC is under state law most of the states say that an LLC will give you greater liability protection than an S-Corp or C-Corp. Now, that is state-by-state. So you would have to check your own state to see how you stand in that area.

A single member LLC, which means it's just you, can be taxed like a sole proprietorship, which means you would just file a Schedule C, but you still have that limited liability protection. It can also be taxed as an S-Corp, which is kind of nice because then you get the ability to put yourself on salary and save self-employment tax on the difference between what you've taken as salary and the net profit of your business.

If you've elected to be taxed as an S Corp, then the net profit is not subject to self-employment tax when it comes over to your personal tax return. That's a major planning tool for me. The same thing can apply if you have partners or multiple members in your LLC. You can elect to be taxed as an S Corporation, which also will give you that same limited liability protection, but the savings of self-employment tax can be huge.

I've seen the 'changing of the entity' strategy save as much as $20,000, $30,000, or even $40,000 in a year for a company that's making a nice amount of profit. So, you can see why the flexibility of the LLC makes it one of my favorite entities for planning purposes.

Just to give you a quick example here, Jim. If you had an $80,000 profit on a Proprietorship it would result in you paying $11,304 in self-employment tax.

On an S-Corp, let's say you decided to take a $40,000 salary. The payroll taxes on that salary are $6,120. When you compare the $6,120 of payroll taxes to the $11,304 of self-employment tax on the Proprietorship you realize a tax savings of $5,184 this year and next year and the year after and the year after. So, those numbers really start adding up and growing over time.

Most shareholders or partners/members in an LLC/S-Corp type combo usually allocate about 40% salary and 60% in distributions. There is no hard, fast number as to how much salary you have to take. The IRS says it has to be "reasonable". My example was 50/50. That was just an example.

Jim Palmer: Okay. So one thing I learned already is this amount of self-employment tax of 15%. If you were to be a Sole Proprietor and make the $80,000 in profit, do I understand correctly you're not only going to pay the federal income tax on $80,000, but you pay a self employment tax on top of that? Did I get that right?

Diane Gardner: You do and that's why it starts adding up so fast. Then if you're in a state with income tax, you've got federal, state, and self-employment tax which puts you up there somewhere in that 40% percent range, which is huge.

Jim Palmer: That is huge. I could keep going down this road, but I've so many other questions. So number one is the type of entity. That's probably one of the most important things. Diane, you know, in my humble opinion I think so many entrepreneurs they start their business and they just start running. They're sprinting. They're trying to build momentum. This sprint can last six months or six or ten years.

For many entrepreneurs, thinking about a tax plan or even what kind of entity to start up, just doesn't happen. I think it's probably fair to say most people start out just starting. So, therefore, as you say, you default to being a sole proprietorship. I wonder when a good time is to start thinking and planning about your taxes. What kind of revenue do you think or is it a time based thing? If a company suddenly starts generating $50,000 or $60,000 or maybe $100,000, is there a good time? I mean probably the earlier the better, but I'll let you answer that. Is there a good time to talking about the entity that they are?

Diane Gardner: Jim, it depends on the industry first of all, because I've got industries like auto repair shops, auto body shops, truck drivers, medical professionals, anybody who's in an industry that has quite a bit of liability attached to it. We talk about those entity types as soon as I possibly can with them, and not necessarily just for tax savings reasons, but for limited liability protection reasons.

Let's say your local mechanic changes the brakes on your car and down the road you have an accident. Well, if there is a lawsuit, he's going to get listed in that lawsuit, even if it was a manufacture's defect. Because he touched them, he's going to get listed in that long line of people that they're going to sue. So I'm always looking at entity types for liability protection almost first and then we look at it for the tax savings secondary, because we don't want to take an entity type that just saves the money in taxes, but exposes my client to liability.

Jim Palmer: Wow. I know you work with entrepreneurs and small business owners nationwide, not just in your local town. I know from asking you before we got on here, you work with a lot of electricians and plumbers, heating and air conditioning type companies. So, in other words, service based businesses. Is this a driving force, the service based business, or the type of entity? Does it go across the board? I mean if you're a copywriter or a virtual assistant? I'm sure you've got a process, but how do you know what type of business you are as to what type of entity you should form?

Diane Gardner: Well, I'm glad you asked that question. We like to do a complete entity analysis with our clients. In that analysis we're look at tax savings and the need for liability protection. We're also look at their desire for various types of benefits in their business, because certain entity types work better for that than others do. We're look at their need to write off the medical expenses through their business and certain entities work really well for that and others don't at all.

So there's a whole analysis that really should go into this decision. I think most people all do the proverbial eenie, meenie, miney moe, I'll pick you. That's the entity type they do. There's a whole lot more that should go into it.

Jim Palmer: Once they're set, again, they're sprinting. They're going out and getting customer and clients. They're not even thinking of the back end and whether they do their own taxes or an accountant prepares the tax returns for them. I appreciate what you said. One of the first things is the fear of the IRS.

Boy, nothing makes you quake in your boots like getting something from the Internal Revenue Service in the mail. That's a horrible thing!

One of the things I asked you about earlier is this report that you wrote called "Nine Ways Entrepreneurs Overpay Their Taxes". We just spent a lot of time on the first, which was the wrong entity and fear of the IRS. I don't know if we have time to go through all nine, but what's the next big one?

Diane Gardner: I would think the next big one would be not planning for retirement. I know that as entrepreneurs we tend to think we're all invincible and that we've got a lot of years ahead of us. We're going so fast that we're not thinking about down the road and how maybe we should start thinking about retirement now, even if you're only in your 20's or your 30's or even your 40's. Those of us in our 50's are definitely starting to think about it, because it's staring you right in the face. We know we'd better start doing something today, because maybe we haven't been doing anything previously.

That's a big one, because people think that retirement planning, here again, belongs to the big corporations. Only the big companies can do it, not realizing that a small company has various choices too. They've got tools like a Simplified Employee Pension or a SEP, which is basically just a turbo, charged IRA which allows a small business owner or entrepreneur to contribute up to 25% of the net self-employment income for a maximum contribution of $53,000 for this year. That's a lot of money they can put away in a retirement plan.

Jim Palmer: Can I share something with you, Diane. That is something that I'm doing. I've been doing that for the last several years, because when I started my business, I was 42 years old and based on what I had gone through with the unemployment and the cancer, I didn't have a lot of savings. I feel so like you. I feel like I'm making up for lost time in as big of way as I can. So that's one thing I'm doing is maximizing that, what you just talked about, putting 25% away and then the employer can match it. Luckily, I have a good employer, myself. So I'm able to do that, which also, by the way, it's an expense to the business. So it, again, lowers the profits. So it will lower your taxes.

Diane Gardner: Yes, it lowers your taxes both on the business and on your personal side. So those are some pretty cool strategies. If they're not able to put in the whole $53,000, then sometimes we look at a SIMPLE IRA. That's nice for a smaller business that maybe can't afford to put in the full 25%. So a SIMPLE IRA is just another turbo charged IRA. It allows you to put in 100% of your income, your wages, up to $12,500. So that one is nice for a smaller type entity, maybe somebody who hasn't been in business for more than just a few years or something.

Then if you want to get fairly aggressive, you can look at a 401(k) plan for a small business. People think 401(k)? That's for the big entities. The big companies out there, again. They have small 401(k) plans now for smaller entities, where you, as an owner, can put in $18,000 out of your own paycheck. If you're over 50 you can do a $6,000 catch up contribution. Then the employer can match it for a maximum contribution of $53,000.

So it makes for some pretty significant tax savings and it helps you get caught up for all those years when you were raising your family and building the business and you just didn't hardly have two nickels to rub together because everything was happening so fast. Well, maybe now you've got the business built a little bit and there's starting to be some significant net profit. It's a good time to start looking into retirement planning, because the longer you have for it to sit there and grow, the more you're going to have at retirement time.

A lot of us, I know myself included, there wasn't anything in those early, startup years. There just wasn't an extra penny between raising a family and starting the business. So, I, like you, am stuffing whatever I can into accounts now, because we're on the homeward stretch and we want to have a nice little pocket out there when we hit the finish line.

Jim Palmer: The home stretch. Oh, boy, here we are. So, Diane, you mentioned family. I asked you earlier about out of these nine what are the top four. You mentioned family employment as being one, which I'm like, "Wow, I'm not quite sure I understand that". Can you take a few minutes and talk about that?

Diane Gardner: Jim, family employment is something that I wouldn't have even thought about 10 or 15 years ago. In today's society we have so many parents with their adult children living with them or entrepreneurs with their parents living with them. It seems like we've come full circle back to a few generations ago when you had multiple generations living a home.

This is a great way to take money that you're already spending, because you're already supporting these people, and write it off through your business by finding something for them to do in your business and paying them to do it.

Now, it can be a child as young as seven years old or it can be adult children who have come home to roost for a while. This is money that you're already paying out. So it's not like you're spending additional money like you when you fund a retirement plan. This is money that you've been paying with after tax dollars. We look for ways to turn it around and pay it out with pre-tax dollars.

The cool thing is if they are not working another job, the first $6,300 that you pay them is tax free. This works especially well for younger children or teenagers or even college students. Then the next $9,000 that you pay them is only taxed at 10%. So that's a pretty cool thing. This allows you to potentially shift quite a bit of money from your much higher tax bracket down to their much lower tax bracket. This strategy also works well if you've got a retired parent that you are supporting.

You do have to pay a reasonable wage for the services that are performed. So you can't just come in and offer them a nice, big fat salary and all they do is a few hours of work here and there. You need to have a job description and keep a time sheet.

Then you need to pay them by a check so you can document the fact that you actually did pay them and the check needs to be deposited into an account with your child's name, or your parent's name, whoever it is. It can go into a Roth IRA account, a 529 Education Account, or even a custodial account, if the child is under 18 years old.

It's great for grandkids too. This is money that you're already spending. If you are in an unincorporated business, like a sole proprietorship, then you don't even have to withhold Social Security until the child turns 18. It's a great way to pay for extras like horse camp, basketball camp, football camp, or even private school.

Finally, at the end of the year you do need to issue them a W-2. I think, Jim, you and I have talked about using this strategy possibly with our grandchildren for some marketing strategies and be able to pay them and write it off through our businesses.

Jim Palmer: I'm always featuring Nathan in my marketing. So maybe I should make some contributions to his college fund or something.

Diane Gardner: Yeah, I'll have to put a bug in his mommy's ear that he's working too cheap.

Jim Palmer: I know, exactly. So number four, of the Nine Ways Entrepreneurs Are Overpaying Their Taxes, which by the way, I think that report is available on your website, yes? How can people get a copy of that?

Diane Gardner: Yes, it is available on the website.

Jim Palmer: Is that your Adept business website or is there another one?

Diane Gardner: That is my www.taxcoach4you.com website. All of our tax planning and tax savings are on that website.

Jim Palmer: Okay. They can get a copy there. I think you have three or four reports over there. That's awesome.

Diane Gardner: We offer lots of free stuff on that website.

Jim Palmer: If I put you on the spot, can you name a couple more of them while I think of it? I don't have it written down.

Diane Gardner: You bet. Are you looking for information on a couple more tax strategies?

Jim Palmer: No. What the information they can get at www.taxcoach4you.com.

Diane Gardner: Okay. We have a report on how choosing the right accountant is a lot like dating. It is so important that you actually pick an accountant who is compatible with you and the way you do business. We have a report about discovering the buried treasure that's hidden in your business, which talks about a lot of different deductions that people aren't aware that they can take.

Both this report and the How to Choose Your Accountant report are excerpts from my latest book called, “Stop Overpaying Your Taxes.” I believe we have a little quiz out there they can take that’s called “How Much Do You Really Know about Your Taxes?” It gives you the opportunity to really see how much you either know or don’t know about your taxes. It’s always very eye opening when people take this little quiz. My website is full of free stuff and lots of good information for them.

Jim Palmer: Very cool. Thank you. One of the reasons I do these interviews, Diane, is I love sharing information and putting it out there. You’re always so open with your knowledge and information. So, folks, go make use of all that information at www.taxcoach4you.com.

So, Diane, the fourth strategy, the top four of the nine, is called medical expenses. I almost hate to open this can of worms in this day and age, but what can you tell us about that.

Diane Gardner: This one has become more important in the last few years than it was before, especially with the Affordable Care Act and all of the Obamacare type stuff that has come into being. We’ve had to restructure slightly how we can make this one work, because they’ve changed the rules on us. All of a sudden, things that worked before aren’t working as well now.

Deducting medical expenses pre-tax is a great strategy. If you are utilizing the right entity type, then we can potentially move some after tax dollars that are being paid for health insurance and out-of-pocket medical expenses and move them to pre-tax dollars.

If you're a sole proprietorship or if you have self-employment income coming in from a K-1, normally you would just deduct your health insurance on the bottom of page one of your tax return as self employed health insurance. This deduction saves federal and state income tax, but it doesn't save self-employment tax if you're operating in an entity that has self-employment tax issues.

The other option is to deduct those medical expenses on Schedule A if you itemize. But with the new rule changes, your medical expenses must now exceed 10% of your income to make them deductible. So we're finding very few people have enough medical expenses anymore to be deductible, which is kind of sad because that used to be a nice, big, fat deduction for our clients.

So our alternative to that is to write off those medical expenses through your business by utilizing a Section 105 Medical Reimbursement Plan or a MERP. It works really well if you're a sole proprietorship, especially if you don't have any other employees. So, Jim, let's say you were still operating as a sole proprietorship. I know you don't have any employees. So this could be a wonderful strategy for somebody who's working from home and doesn't have the need for employees.

So for this strategy to work you just hire your spouse and then you offer your spouse benefits. These benefits are 100% reimbursement of your out-of-pocket medical costs. Now, obviously, you couldn't afford to offer this type of benefit if you had a bunch of employees, because it could be an astronomical cost.

You don't have to pay that spouse a salary, but you can compensate him or her in the form of medical benefits only. Now, the benefits that you reimburse must be reasonable for the services they provide. So sometimes you walk a thin line there.

The reimbursements do have to be paid out of the business account. You do have to have a written document plan. You can't just pay the medical bills through your personal account and add them up at the end of the year and deduct them on the tax return. That one doesn't work anymore. The reimbursements have to be paid directly through the business or you need to reimburse your employee, who is your spouse. So, then your spouse gets coverage for them and their dependents, which happens to be you. This is a great strategy if you're a small business and you're still at the sole proprietorship level.

If you're a partnership, you can hire your spouse, as long as they're less than a 5% owner. So sometimes that works for the partnership, but not always. S-Corp entities don't work since both spouses are considered to be self employed. So you would have to come up with a separate source of income. Sometimes we can look at spinning off a particular line of revenue in your business and come up with a small sole proprietor business that we can utilize this strategy with.

If you're a C-Corp, you can qualify as the employee. All you have to do is hire yourself. There's a nice long, list of expenses that are eligible for this type of reimbursement. They include health insurance, long-term care, Medicare premiums, Medigap insurance, co-pays, deductibles, out-of-pocket costs, prescription drugs, dental care, vision care, chiropractic care, other items prescribed by a physician including over the counter meds, as long as they're prescribed by a physician. The great new is - It works with any insurance policy.

This is a great strategy that allows us to move after tax dollars to pre-tax dollars. There is one little caveat with the whole Affordable Care Act. We now have to file a form 720 called Patient Center Outcomes Research Trust Fund every June and we have to pay a fee of $2 per person that is due by the end of July every year. So that is one of those little things that is a pain, because it's a small form and it's easy to forget. If you forget it, the penalties are very large.

Jim Palmer: Wow. So, I've just got to say, Diane, now all the listeners who are listening to this know why I always bring you on.   I can't even believe the knowledge you have in your head. I'm astounded! You must have one of those photographic memories the way you're putting all this out there. I've got to imagine this is an industry that is constantly changing.

Let me ask you this, not one of my regular questions. How much time does it take you to either school yourself, stay current, get courses or are you required to attend continuing education? How do you stay so darned smart and up to date on all this stuff?

Diane Gardner: I am required to do quite a bit of continuing education, but I believe I take at least twice the minimum requirement each year. I probably average four hours a month on continuing education classes. There are some months where it's way higher than that. We're recording this in the fall and it's continuing education season. So last week we put in 16 hours of continuing education. This week I think there's another three or four hours that are scheduled.

Throughout the rest of the year I bet it's at least two hours a week, just trying to keep up with all the stuff, making sure that you know when the IRS changes their mind or when congress changes their mind on something so that we can keep our clients out of trouble.

Jim Palmer: Wow. Again, the report that I got those questions out of is called Nine Ways Entrepreneurs Overpay Their Taxes, which is available for free at www.taxcoach4you.com.

Diane, I want to switch gears. I don't want to go into the other five. Out of those four, which I think you told me were the top four and if my memory is correct when I introduced you, you have saved over $503,000 to date for your clients. How much of that savings, on average, and maybe you can't answer this, but how much of those savings on average come from those four or is it more spread across all the others.

Diane Gardner: I would say the majority of those savings come from these four strategies with the entity type and the retirement planning being the top two. Let me share a good example with you: about four years ago, one of the first tax plans I did was for a machine shop. They were just a small, little three person operation type of business.

They came to me with a sales tax audit issue, but during the course of handling that audit, I asked for copies of their tax returns so I could respond correctly to the state that wanted information from them. I saw the client had a fairly large net profit and he was operating as a sole proprietorship. Immediately the bells and the whistles and lights were going off in my head as we were dealing with the sales tax issue.

Once we got that taken care of, I carved out a small amount of his time to meet with me about some tax planning ideas I had for him. The strategies I suggested for him included changing his entity type from a Sole Proprietor to an LLC classed as an S-Corp for tax purposes and implementing a Solo 401(k) Safe Harbor plan. With those two strategies he has been averaging between about $30,000 and $34,000 in tax savings each year.

After just three years of savings, he had enough money saved up to put a down payment on a commercial building this last spring. Then over the next three or four years of tax savings he will have saved enough money in tax to pay for that building all due to just tax savings. So for him, he's got a building sitting there as evidence of all his tax savings.

Jim Palmer: That's crazy. Earlier we were talking about another member of the Dream Business Mastermind group, a gentleman named Mike Agugliaro, who is known as the CEO Warrior. I heard he interviewed you on his awesome podcast. We were talking about this before we went live here. You told me that someone in Mike's group actually heard the podcast and contacted you and you were able to work with him. Was that the story you just told or was there another one?

Diane Gardner: The story I just told was from a client here in Northern Idaho. I was also able to assist a member of Mike's group. This is an entrepreneur who's into the electrical, plumbing and HVAC type of services that Mike's group tends to offer. As a result of tax planning services, we're on target to save between $50,000 - $54,000 this year. These savings are generally not a one time savings but continue to work year after year. I'm estimating the tax savings will be at least this much each year because his revenue is continuing to grow under Mike's coaching.

That number will continue to grow over the years as we really nail down some more of these tax saving strategies. I always try to identify four - six strategies when I prepare a tax plan. Sometimes we have to prioritize them and work on the highest priority strategies first and then come back and pick up the rest of them.

Once the strategies are prioritized, then we grab the first one and sometimes I can just knock that one off the list quickly for them. Then we identify the next priority, and the next one. We want to revisit this tax plan over the next few years. I like to meet with my tax planning clients at least a couple of times each year so we can make sure that we're staying on track with these different strategies and that the client is actually implementing what we've agreed to implement.

Sometimes we'll implement two strategies this year and then next year we'll pick up the next two or three strategies because trying to implement all the strategies at once is like drinking from the fire hose. It's too much for them all at once. So we grab the ones with the biggest savings and we hit those first. It's fun getting to do this for people!

Jim Palmer: You know what strikes me Diane? I'm a fast mover and I hear stuff like this and think to myself, "I don't even know if I have time to meet with you." It makes me actually sound ignorant, because I don't have time to meet with Diane to find $50,000. But that's actually the mindset of people when they're moving so fast. I know because of the example you just gave, you can literally work with people across the country. What kind of timeframe does it take? Let's say somebody who's hearing this right now and they reach out to you and say, "Man, everything you said sounds good. I don't know where to start." What's the first step? Is it a phone call or do they have to send you tax returns or what's the normal process to see if you can save somebody money? How does that work?

Diane Gardner: It's actually really simple on your part, Jim. All you have to do is reach out to me with a phone call or an email. Then from there I will send you a secure email link and have you send over your last two years personal and/or business tax returns. Then I'll sit down and take a look at them.

I'll spend some time reading through the tax returns. If you're using QuickBooks, I also like to get a QuickBooks backup, because sometimes the QuickBooks data will tell me more than the tax return will. I just get in there and do some digging and see what I can find. Then I set up an interview that lasts between 30-60 minutes. If you're across the country, we do it through Skype or on the phone. If you're here local, we do it in person.

From that appointment, we sit down and I share an estimate of the tax savings I've found. From there, with your permission, I begin putting together your customized, proactive tax plan.

Then, I set up a second meeting where I go through each of the various strategies that I found. We determine which strategies you feel comfortable implementing and which ones you would like us to implement for you. From what I've seen over the years of doing this, most of the clients just say, "Please take it and implement. I don't have time." So, we begin the implementation process for them.

Then, we schedule a follow up meeting about a month later. This meeting usually lasts for about half an hour. This is my chance to make sure that everybody is on track and to answer any questions that may have come up over the previous month. So, literally, we're talking about an hour to an hour and a half of your time.

We try very hard to make it as painless as possible for people and to take the least amount of time out of their life as we possibly can while being able to move forward with saving them money. We love for them to watch that savings happen year after year, after year, after year, after year.

Jim Palmer: Good for you. Wow! So, Diane, I was reading your book, “Stop Overpaying Your Taxes,” which is a really cool title, by the way. A lot of people that are in my community are new entrepreneurs. My members range from new entrepreneurs up to very seasoned entrepreneurs. I must say probably 50-60% of them are on the newer, emerging side. Chapter four of your book, “Stop Overpaying Your Taxes,” is called Tax Strategies for New Entrepreneurs. So I keyed in on that and wanted to ask you about that.

So what do you say to new entrepreneurs? Whether that means I’ve just got my business cards or just hung out my shingle or maybe I’ve been in business for two or three years. What are some of the things that you should look at if you consider yourself to be more of a newbie?

Diane Gardner: With my newbies I like to really sit down with them and make sure that they have a strong record keeping system, It’s important to make sure they’re using a business bank account and they’re not co-mingling their personal and their business data. Unfortunately I see that all the time. I also want to make sure that they are or will be, filing the appropriate paperwork with their state and/or the IRS. Sometimes they have to file various forms with the Secretary of State or other taxing agencies, especially if they have employees. This can entail applying for payroll identification numbers or setting up a sales tax account.

I also want to make sure they've got simple things like business cards or even a brochure, depending on whether the business is a "brick & mortar" business or online business. Next I ask if they have a website. Have they even thought about doing some marketing? Do they have any written goals? Can we show that they have a profit motive? Each of these things are important when you're first getting started because you don't want the IRS to come along and say your business isn't really a business but is just a hobby. We want to stay away from that and show it looks like they are a "real" business.

Then I start looking at keeping track of their mileage. So many people don't realize they must have a written mileage log for every mile they drive for their business. It's hard when a new business comes in to see you for a tax return and they've been in business this last year and they don't have any documentation for that. They just groan at the thought of having to go back and document the miles they've driven this year showing the business purpose for each trip. So that's a pretty big one there.

Next, I focus on making sure they are taking advantage of meals and entertainment. It's important they're aware of what's deductible and what's not deductible. Then, it's time to help them come up with some sort of financial statements, even if they're not real true financial statements, but a just summary of their income and their expenses. I want to start them thinking along the lines of creating a business relationship with the bank in their area, because at some point down the road, they may need a line of credit or they may need to buy a piece of equipment or financing for some other purpose.

So there's a lot we discuss with a brand new business to try to make sure that they're heading in the right direction. All of these items help to increase the odds of being successful and staying in business and not becoming a statistic.

Jim Palmer: Now, you mentioned having a separate checking account, but it's probably also fair to say that they should have credit cards for their business and personal and not co-mingle those too, right?

Diane Gardner: Yes, it's very important to not co-mingle credit cards, too. I also recommend opening a savings account for the business. I encourage them to put a certain percentage of every deposit into savings so they have money to pay their taxes and to even pay themselves. Developing the habit of savings greatly reduces their stress level if they hit a slow month or if they are hit with the sudden need to buy a new computer or a copier or replace a vehicle. It's really nice to have the cash to do it and they don't have to go out and borrow it. I think it's important for a new business to start thinking this way right from the gate.

Jim Palmer: You already answered my next question, which was Chapter 8 which you have titled Trains, Planes and Automobiles. This is funny because that's one of my favorite movies. So you covered all the travel deduction information in that chapter. I highly recommend the listeners order a copy of this book and read the chapters that pertain to their business. You really share so much information in this book!

This just made it an interviewer's dream. Let's talk about chapter five, "Discover the Buried Treasure Hidden in Your Business." There are so many deductions listed here. I didn't realize the list was so long. The first item under common business deductions is accounting and tax preparation fees. So when you work with entrepreneurs, your fees are a tax deduction.

Diane Gardner: That's right! I wrote that chapter because over the years I've had so many people asking me if there was a list of business deductions somewhere. The IRS has a list but it's not complete. Over the years I've found lots of information in other articles I read and blog posts and just various things. So I finally started compiling my own list and started sharing it with my own clientele.

That chapter is full of common business deductions. I've also listed specific deductions for construction, long haul truck driving, daycare providers, entertainers and public speakers, doctors and other medical professionals, real estate professionals, and other businesses. I tried to cover as many of the industries as I could with a list of what is deductible. There are so many expenses that are deductible. People look at these lists and think, "I didn't know I could write that off. I had no idea. Why didn't somebody tell me?"

Jim Palmer: Now, I know you do a lot of work with service based or blue collar type entrepreneurial businesses: electricians, HVAC, plumbers and things like that. I want to ask you some of the other specific tax implications for other types of businesses. You told me that you also work with chiropractors, foot doctors, eye doctors, and other specialty doctors. What is unique to their type of business?

Diane Gardner: They're unique in that they do their marketing completely different than a traditional doctor does. They have more control of how they do business and they can be more creative. They usually work on their own as opposed to a group of medical doctors. So they have a little more liability exposure out there, which means that entity type becomes even more important for them. Oftentimes they're branching out into non-traditional medicine. We want to make sure that they're fully covered, not only from the tax standpoint, but also from the liability protection standpoint. It's important that we're working with our legal team, as well as from the tax standpoint, to make sure that they are covered from a liability and a tax savings standpoint.

I also want to make sure they're taking advantage of various deductions because a lot of them are working from a home office in addition to having a regular office. Many of them do all their record keeping and management tasks from the home office. So, we want to make sure that we're capturing the home office deduction, mileage deductions, and many of the other smaller deductions that are so easy to let fall through the cracks

Jim Palmer: So people know where I am getting my questions, we did a pre-interview and I asked you also who else you work with a lot. I'm really intrigued by this one. You said coaches, authors and other professionals, which is, again, a big part of my community, especially coaches and authors and businesses like that.

When I was trying to think of what brilliant question I could ask you, I thought of how many of these types of businesses utilize a home office. They don't necessarily rent a space somewhere. They have home offices and they even possibly travel a lot. They utilize tools like Skype and Internet connections. What are some of the things that you can think of that would be unique to these types of entrepreneurs that they're not even thinking are deductible?

Diane Gardner: Well, I would think that cleaning of costumes or uniforms for those who are traveling and speaking is a little known deduction. I know we have a couple mutual friends who are on the road constantly throughout the U.S. speaking at various keynote engagements. I'm always watching to make sure that all conference and seminar fees are recorded as well as other travel costs. As the business grows, they often utilize the services of a virtual assistant to help them with their email, social media, website, booking speaking engagements, etc.. They certainly don't want to miss out on any of these expenses.

We don't want to forget about lodging or their meals while they're away from home, as well as just regular meals and entertainment while they're working. Sometimes they're paying for a voiceover or musicians or someone to record intros and outros and videos and all those types of things that they're doing. These types of things are deductible, but are often not listed on a list of common business expenses. Don't forget about mastermind group fees, coaching fees or the cost of an agent or publicist. There are just so many deductions for people in this industry that the general business community is not really thinking about.

Jim Palmer: You mentioned cleaning of uniforms. Do you mean to say if you wear a suit when you go out to speak and you come home and get it dry cleaned? Is that considered a business expense or not?

Diane Gardner: It can be. It is most definitely a business expense if you get it cleaned while you're on the road. If you get it cleaned when you come home, then it can be. We just have to make sure that we do it correctly. Anything you get cleaned while you're out traveling is definitely a deductible expense.

Jim Palmer: Hmm, very interesting. There are so many things to think about. I often get my suits dry cleaned just because they come home a wrinkled mess, not even that they're ridiculously dirty. I just feel like I can't wear that again so I take it to the dry cleaners.

I found this other report that you have Diane. It's called the Ten Commandments of Tax Planning. Why don't you share some of those?

Diane Gardner: That was one we did in fun, because people tend to shy away from the term tax planning. So we thought this would be fun. So my team and I sat down and we came up with the following commandments:

- Thou shalt be in charge of thy checkbook.
- Thou shalt choose the right business structure.
- Thou shalt select the right tax professional.
- Thou shalt be an excellent keeper of records.

- Thou shalt discover buried treasure within thy business.
- Thou shalt learn how to maximize thy deductions.
- Thou shalt understand the costs of healthcare.
- Thou shalt plant early tax saving seeds with real estate investments.
- Thou shalt hire thine kids.
- Thou shalt plan.

Jim Palmer: There you go. I'm really intrigued with the kids. Can I revisit that?

Diane Gardner: You bet.

Jim Palmer: So my kids are grown and gone, but suppose somebody is listening to this and they've got a 10-year-old son or daughter. Help me explain that. I didn't really grasp that. So somebody's got a 10-year-old daughter. They're obviously in school so they're not really a part of the business in any way. Talk a little bit more about how to hire your child to work in your business.

Diane Gardner: Jim, we often see entrepreneurs utilizing this age children helping with social media because it seems like the kids are so good at that type of stuff. Some of us in our age group maybe aren't as good at that or aren't as social media savvy as the younger people are. Your kids may be able to help you with that or they may be able to assist you with your marketing. You see a lot of different businesses using their children's pictures on their websites and in their various marketing campaigns as a way to hire them and pay the child from the business.

They can, potentially, help you by cleaning your office. They may be able to help with some filing or maybe help with a direct mail campaign. How about using them to stuff the envelopes, to make the copies, or put the labels on? These are some of the tasks that a 10-year-old can actually do. You do have to make sure the work is age appropriate work and that they have the skills required to do it.

We see it a lot of parents utilizing their teenagers because they may not have another job. They're still fulltime students but they can do tasks for you, especially on the Internet, because they seem to just take to that so easily, compared to those of us who did not grow up in that environment.

Jim Palmer: So what about home office expenses? I guess there are two schools of thought regarding how the deduction is computed. I think you can deduct a certain percentage for the space that is your home office compared to your total house and you do some kind of percentage. I've heard other people say you can pay yourself. I don't know if it matters what kind of entity you are, but if you actually pay yourself rent, then it should be fair market rent. Is that an area where people are dropping the ball?

Diane Gardner: Definitely. They don't realize they can write off a portion of their home. Your entity type determines whether you can take a home office deduction. I am going to go back to the example of a sole proprietorship where you're working from home. You definitely can take a home office deduction, provided that it is your principle place of business, it’s used exclusively and regularly for administrative or management activities of a trade or business, and you have no other fixed location where you can do substantial administrative or management activities. That’s straight from the IRS.

It doesn’t mean you can’t have another office. It just can’t be used more than occasionally for administrative or management stuff. We see that a lot in businesses where they rent a conference room somewhere and hold their appointments in the conference room at a local business center but they work from home.

They are able to write off the rent for the conference room and still take the home office deduction. It’s really nice when the business uses their home office for management and administrative duties and it is the place where they actually meet clients, patients, and prospects.

Take yourself as an example. You’re meeting most of your coaching clients over the phone or on Skype or something like that from your home office. The office can be a separate structure not attached to your residence, but it doesn’t have to be. It doesn’t even have to be an entire room. You need to calculate the business use percentage of the area that is your office. We then take this percentage and apply it to your rent or your mortgage interest, property taxes, utilities, repairs to your home, insurance, garbage pickup, and security.

We can also depreciate the business use percentage of the home over 39 years. The depreciation amount generally isn't a big deduction. You can also deduct the cost of furnishing, carpeting, and decorating the office. This deduction reduces income tax and self-employment tax.

There's a new safe harbor method that allows you to deduct $5 per square foot of business use space up to 300 square feet. Sometimes that becomes a bigger deduction than actual costs.

One of the best parts about the home office deduction is it allows you to increase your business auto mileage deduction because as soon as you get in your car, you are able to start writing off business miles just because you're leaving from your home office. So that's kind of cool.

Now, if you're in one of the other entity types, then we look at charging yourself rent for your home office in an amount that's similar to what the home office deduction would have been. We have a little formula that we use for that. This deduction allows you to save some self-employment tax. That's the biggest reason for doing it.

Jim Palmer: There's so much to know, holy smokes! That's why you want to have somebody like Diane in your corner. What about a health savings account Diane? Is that something that is tied specifically to a certain type of entity or is that something any entrepreneur can look into?

Diane Gardner: Well, Jim, we generally tend to use the health savings account if we can't get a medical expense reimbursement account (MERP) to work for you. So if you're in an entity type that just does not let the MERP work, then we want to look at a health savings account. An HSA combines a high deductible health plan with some tax free savings. To make this strategy work you need to have a health insurance plan with a $1,300 minimum deductible for a single person, or a $2,600 deductible for a family.

Basically, it's a specialized savings account. This account allows you to contribute up to $3,350 if you're a single person or $6,650 each year if you're married. It covers the same basic laundry list of expense items that we were talking about with the medical expense reimbursement account.

It covers things like health insurance and long-term care, Medicare premiums, co-pays, deductibles, out of pocket costs, prescription drugs, dental care, vision care, chiropractic care, and any other items that are prescribed by a physician, including over the counter meds, as long as they're prescribed by your physician.

You can reimburse yourself from your health savings account for items that are qualified medical costs. This reimbursement is tax free. HSA's come with a nice perk that you may not be expecting. Let's say you've put in your $6,650 for the year and you only withdrew $2,000 over the course of the year. This leaves you with $4,650 still sitting in the account. Let's say this happens over the course of several years.

This balance in the HSA account starts working like a traditional IRA. When you reach age 59 ½, then you can withdraw the money without paying the 10% penalty. It can become part of your retirement planning if it's needed.

Jim Palmer: Diane, I'm really curious about another one. I want to go back to my favorite movie: Trains, Planes and Automobiles. Let's talk about car and truck expenses. Again, this is probably going to be a little bit more of a broad answer, because you work with service based companies, which could have one or two trucks or a whole fleet of trucks.

There could be people like myself who just have a car, which I definitely take a write off when I'm going to meet with clients or just using it for business in general. Talk a little bit about car and truck expenses, and specifically what kind of money people are leaving on the table.

Diane Gardner: Jim, I think they're leaving a lot of money on the table with this one. This is another area where I see business owners constantly leaving money on the table. The IRS says there are a couple of different ways that we can write off our car and our truck expenses. We have the choice of using an actual expense method, or the standard mileage rate method. For 2016 the standard mileage rate is 54 cents per mile. It is updated every year by the IRS.

Every year AAA does a driving cost survey. In 2014 they said that it cost 46.4 cents per mile to operate a small sedan, 58.9 cents per mile to operate a medium sedan, 72.2 cents if you're driving a large sedan or 73.6 if you're driving a four wheel drive SUV, and then 65 cents a mile if you're driving a minivan. That's on the assumption of 15,000 miles per year and $3.28 per gallon of gas on the average.

So when you're looking at those costs and the IRS is giving you 54 cents per mile, it's easy to see that unless you're driving a small little sedan of some sort you're leaving money on the table by either not writing off your car and truck expenses, or by just choosing the standard mileage rate because it's easier.

There are three different categories of driving. We have all have to look at our driving and break it out as to whether it's personal, commute or business. The IRS say that trips from home to your first business stop and from that last business stop to home are considered personal. Well, we can change that if you have a home office because then your home is your office. So the business miles start from the office to your first stop.

Business miles are decreased for those of us who have an office outside of our home. I must stop at the office first which means the miles from my home to my office are non-deductible but the miles from my office to my client are deductible. Fortunately, for me I only live a couple miles away from my office. So that becomes a very small item for me. But for some people the loss of miles can be huge.

Some business owners think that if they just put their business name or logo on your car, it will make all of your miles deductible. This is not true! I know that's a myth that circulates around the business community all the time.

Let's talk about how you allocate your miles into personal, commute, and business miles because most of the people I talk to don't have a clue of how to do that. It all starts with that wonderful written mileage log. Your mileage log can be something as simple as carrying a little calendar in your car or an app on your phone. It can be something that you track in your Day-Timer or your Outlook. The important thing is to keep track of your various miles throughout the year. Most of my clients document their beginning mileage for each year and the ending mileage for the year. Then throughout the year, they record their business miles.

Just a side note: If you spend money for something, then you need to keep receipts for purchases that are over $75. If they're under $75, you don't have to have the receipt, but you have to note it in a calendar of some sort and record information as to the date, time, place, and the business nature of the expense.

There are a couple of different methods for figuring out the business use percentage. The first method is the brute force method. That means you must record every business mile driven for the year. You divide those business miles by the total miles on your car or your truck to get the business use percentage. If you use more than one vehicle in your business, then you have to use this method to come up with your business use percentage.

The next method is the 90-day method. This method requires you record your business miles for a typical 90 day period and then divide that amount by your total mileage to get the business use percentage. You can use that percentage for the entire year.

Another method is called the first week method. You can record business miles for the first week of each month, and divide that by the total miles for that period and use that percentage for the entire month. Now, that method may or may not work, depending on the type of business that you're in, because some businesses are a little more cyclical than others are, and the first week of the month may not be a good example of the actual miles that you drive each month.

The simplified method is recording the beginning and ending mileage over a 90-day period. Then you record your personal and your commuting miles for that same period. You subtract the beginning mileage from the ending mileage and then subtract the personal and commuting miles from the total miles driven. The miles that are left are the business miles.

Most of the people that I do taxes for or coach with tend to use the brute force method where they just record all of their business miles driven for the year.

Once we've got the business use percentage figured out, then we have a couple of different ways to calculate our deductions. We can use the standard mileage allowance, which is 54 cents per mile for 2016. Then to that number you can add in any parking costs and tolls that you have to pay. You can also deduct the business use percentage of the interest on your car loans.

There is also the actual expense method. This method allows you to deduct the business percentage for all of the vehicle expenses; including depreciation, interest on the car or truck loan, lease payments, insurance, gas, oil, car washes, tires, maintenance, other types of repairs, licensing, registration fees, personal property tax, and parking tolls. This method requires you to keep good records.

We like to track both of these methods and see which one saves the most money. Then we can adopt that one for that particular client. Now, if you've been taking the standard mileage method and you realize that the actual expense method is higher for you, you can switch to that method.

But, if you've been taking the actual expense method, you can't switch back to the standard mileage method. You also have to use the actual expense method if you have five or more vehicles in your business. I see that a lot in service companies with their fleet of vehicles. We tend to track all of the expenses for their vehicles. Sometimes we track them by vehicle and other times we just track them as a group.

Jim Palmer: Wow, so much to know. Again, it just makes me so grateful that I know smart people. We're coming down to about 15 or 20 minutes left and I want to ask you a couple more things. Number one is meals and entertainment. I know people, myself included, that do a lot of entertaining that includes a meal. I don't care if you're out to breakfast, lunch or dinner. If you're an entrepreneur, whether you're with another entrepreneur or your spouse, you somehow talk about business. Is that enough to make that meal deductible?

Diane Gardner: Well, not generally. The IRS loves to disallow meals between spouses because they say all business meals must have some sort of business purpose to it, in that it will lead to the reasonable expectation of getting current or future business from it. So that ends up keeping you from being able to deduct most of the meals that you eat with your spouse, even if you're talking business.

Two exceptions of that are when you're traveling together for business, or if you bring your spouse along to a dinner because your customer or prospect is bringing their spouse along to the dinner. In this situation you're able to write off the meal for your spouse. You have to really be careful. The spouse thing gets very touchy in the event of an IRS audit.

You can deduct 50% of meals and entertainment, as long as they aren't lavish or extraordinary. Now, I don't know that we have a definition for lavish or extraordinary so, you will have to use your own best judgment on that. The IRS allows you to deduct the cost of food, drinks, taxes, tips, coat checks, valet parking, etc. Some people get pretty excited that they don't need receipts if the expenditure is less than $75, but if you don't have a receipt for it, then you definitely need to record it in your calendar so you don't miss out on that expense.

You must record five very important items. You need to record how much you spent, when you spent it, where you spent it, the business relationship with your guests, and the business purpose of that meal.

Very often I see people bring in a pile of receipts and there isn't anything written on them. I have to warn them about possibly losing this deduction due to lack of complete information.

What if you're out by yourself? I see this so much with entrepreneurs. They're out running errands and taking care of their business. They swing through some place and they grab lunch. They think that just because they're running errands and stuff for their business that they can write it off. The reality is they can't write it off, unless they're traveling away from home. So that's a big shock sometimes and it makes people unhappy when they find out.

Jim, I bet you there are times that you and your wife entertain at home. You have people over at your house for a business purpose. Maybe it's a meeting of some sort. I bet you've missed out on deducting some of those costs over the years.

Jim Palmer: You know I'm waiting for you to shed some happy news, because I've enjoyed this conversation up until now. Now, I'm thinking of what you just shared and it got me all sappy. All right, enlighten me Diane about having people over to our house.

Diane Gardner: Well, that's a write off that is probably missed the majority of the time, because entrepreneurs are not thinking about tax deductions when they invite a business associate over to their home. They generally feed them a meal and have a business meeting. They may or may not have gone grocery shopping for that meal. Sometimes they've just prepared the meal from food that was purchased previously.

So, by keeping track of who you have at your house, what you served, and the business purpose of it, you may be able to take a tax deduction for that meal. This holds true even though you don't have a receipt, as long as it's less than $75. The good news is you now have a write-off that you didn't even realize that you had.

Maybe it's an impromptu barbecue. Maybe it's just a planned meal where you actually did go out and go shopping ahead of time for it. Just don't overlook this deduction. Sometimes this adds up to be fairly decent size deduction over the course of a year.

What about those who have employees and provide a meal or a party or something for their employees? That's another deduction people tend to miss. The IRS says you can deduct the cost of furnishing a meal for your employees as long as it's for the convenience of your business. Some businesses need their employees to stay on the premises so they are available for an emergency call or they're available for whatever reasons. Sometimes it's a business that's located where there isn't an adequate eating place within a reasonable distance.

I see that a lot more with some of my service type professionals where they're out doing a job. Electrical contractors, plumbers, and construction companies often provide lunch for their employees when they're out at a job and they're not close to an eating location of any sort. The owner will bring in lunch for the whole crew which results in a tax deduction. You can also deduct the costs for required business meetings where you happen to serve food items.

We don't want o miss these deductions because they do add up. You can deduct 100% instead of just 50% for these expenses for your meals and your entertainment if you're doing a sales seminar or a similar event where the meal is just integral to the presentation for your business. I do that myself. We host a large client appreciation event every summer.

Once a year we invite all of our clients and their guests to our annual client appreciation event. We put on a whole evening of entertainment for them and feed them while they're there. This event results in a 100% write off for my business, instead of just a 50% write off.

Let's shift gears and talk about the entertainment area. What if you take somebody to a ballgame or on a fishing trip or something like that? Is this type of expense deductible? If we do it right, then it can be a tax deduction. It can result in a nice write off for your business.

A lot of people ask me about business gifts. What can we write off in that area? This one is going to be a bummer for you, because business gifts are only deductible up to $25 per person, if you can show a business purpose. That number has not been changed for inflation in all the years that I've been an accountant, which is quite a few. It was $25 back when I got out of college and it's still $25. You really can't buy much of a gift for $25 in today's economy.

Jim Palmer: You certainly can't send any chocolate covered strawberries for $25.

Diane Gardner: No, you can't. You can't send much of anything for $25. So that's a deduction that we have to come up with another way to write it off outside of it being a business gift. Maybe it's part of our marketing campaign and all new clients receive something after so many days which makes it a marketing cost instead of a client gift.

Jim Palmer: So, Diane I have one more question for you. While you're giving your last answer, I'm second guessing why I'm going to ask this. It feels a little bit like going into a Holiday Inn and asking where the Marriott is. So my question is this: I'm sure there are entrepreneurs who are listening to this interview and totally loving all this content. They may be thinking "Diane is really sharing some great information but I'm not comfortable working with an accountant that is outside my geographic area." How can someone like that select an accountant that has as much in depth knowledge as you? That's immediately an unfair question, but there are some people who like to deal locally anyway. Do you know what I mean?

Is there a checklist or what should people look for? When I started my business, I didn't want to work with a company that said oh, we work with everybody from Fortune 500 to the little guy. I didn't want that. I wanted an accountant who really understands small business taxes, like yourself. So what are some of the things they should look for when selecting a tax preparer. I hope that's not an unfair question.

Diane Gardner: Not at all. I've got a special report on my website called "Why Selecting a Tax Preparer For Your Business is a Lot Like Dating". This report contains eight questions you should be asking prior to choosing an accountant. I got you on that one, Jim.

Jim Palmer: Okay, good.

Diane Gardner: The questions we like people to ask are:

- What accounting licenses or education do you hold? Specifically, do they have the letters CTC behind their name, which stands for Certified Tax Coach? There are about 400 of us scattered across the U.S. If they've got the letters "CTC" behind their name, you know they've got the same training that I have.
- How patient are they? If you're a newbie and you need something explained, are they going to take the time to sit down and explain it to you? Are they going to explain it in every day, normal language or in accountant lingo? Some of the accountants out there tend to think they're a little bit

above other people. They spew off a whole bunch of accounting lingo and you're sitting there thinking "I have no idea what they just said."

- Then you want to find out what other services they offer. Do they offer bookkeeping and payroll services? As a newbie you're going to need help in those areas.

- Are they available year around or are they only available certain months out of the year?

- How many other tax returns have they done that are like yours?

- Then you want to find out how much they charge. Do they charge by the hour or a flat fee? What type of payment options do they take - cash, check, credit card, others?

- How often do they take continuing education? What types of continuing education do they spend their time taking?

Those are just a few quick questions to ask. I would say the most important question to ask is if they have the letters "CTC" behind their name. This will allow you to find another Certified Tax Coach, possibly somebody in your own geographic area.

Jim Palmer: I appreciate your answer there. You did get me with that one! I think there are a lot of people who have some knowledge and information but I always like to look for specialists because they have a deeper level of knowledge than an accountant who works with any type and size of business. I like to work with people who have a track record and are just so immersed in what they're doing. Thanks for sharing some more great information.

I'm sure there is a plethora of accountants and CPA's who are pretty good at adding numbers and can prepare tax returns. Clearly folks, if you've listened to this interview and heard anything, you will agree there is so much more to it than simply filling in the boxes with the right numbers.

It's knowing what to look for and being able to identify missed opportunities. This is so much more important than an accountant who is content to simply work with the information you give them. Ask yourself, "Are they going to come back and say, hey, what about this, that and the other thing?" Certainly you may end up with tax savings of $5,000 - $50,000, which is Diane's average. I guess we should say results may not be typical. You've got to work with people and look at what they've got, but your track record is pretty impressive, which is why I wanted to have you on my program again.

The other thing I would say, in addition to the CTC designation, is the importance of continuing education and working with an accountant who is patient. I really could have dived deep on every one of these questions. I only pretended to understand what you were saying most of the time. All of this is so out of my comfort zone!

Diane, we're just about out of time and I want to thank you so much for sharing such incredible information today. I knew this would be a call where I hope people stayed on because this is the nitty gritty of running a successful business when you're income and profits are growing.

If you want to keep more of what you've earned, it's not just controlling your expenses. It also includes understanding all the tax laws and how they work for you. I have enormous respect for Diane, not only because she is the most knowledgeable person in this whole field, but she is very patient and operates with full integrity.

Diane, this is the part where I usually give you a chance to state your website and how our listeners can contact you. This has been truly a phenomenal education here over the last hour and a half. So I'm going to turn the floor over to you and you take whatever time you need. Don't feel like you will bore my audience. I want you to tell everybody.

I know you've got the whole "Get Off the Wheel Practice Management Solutions for Accountants" Coaching Program. I know you've got a number of websites. You get interviewed often on podcasts and radio shows, you do videos, and also share information through your blog posts. You're obviously very free with your information. So tell people how they can connect with you and tell them a little bit about what’s going on and why you’re rocking it in the giant town of Rathdrum, Idaho.

Diane Gardner: I laugh because I live in a town of about a six thousand people. Jim, I’m going to say one of the biggest things in wrapping this all up is that working with a tax coach who provides proactive tax planning guarantees results. Without proactive tax planning you are probably just operating on a wing and a prayer. Tax planning actually guarantees tax savings year after year after year after year.

That is so incredible, because at that point it doesn’t matter if Congress has extended the Section 179 deduction for the year or it doesn’t matter if Congress is allowing bonus depreciation or not. It doesn’t matter, because we’re taking advantage of all these other strategies and if/when those things happen, that’s just icing on our cake, because we already have a good, solid, financial foundation built there with these basic tax savings strategies.

I also want to say, as a tax coach, it’s such an honor to get to come along side successful entrepreneurs and have them open up their life to me and allow me in, because taxes are held very near and dear to somebody’s heart. It’s not easy to let somebody in and see what’s going on inside your financial house. To do the best job, I’m going to dig and I’m going to probe and I’m going to look for things that sometimes the client may not be totally comfortable sharing with a stranger. When they do, we’re able to find a lot of tax savings for them. Oftentimes these deductions are things they were already spending money on and we were able to move them from an after tax deduction to a pre-tax deduction.

The website where they can get the most information about tax planning is www.taxcoach4you.com. Out there we've got blogs, videos, special reports, free books, and lots of podcast interviews because I'm interviewed constantly on this or similar topics.

Then in addition to that, if you're looking for just good, strong, accounting type help, my main accounting business is www.adeptbusiness.biz.   On that particular website you'll see more of the traditional accounting things that most people are looking for.

On both websites you can pick up lots of free information. We've got a couple of free books that we give away. We've got free bundles of special reports and other great information for people. They can even purchase copies of my other books.

In addition to that, I lead our local "Business Breakthrough Mastermind Group" that meets here in my home town. This has been a phenomenal experience over the past couple of years. This is a group of fired up entrepreneurs that have really banded together and help each other solve problems and challenges in their businesses. It's so exciting to watch the transformation in their businesses. I have to practically beg them to go home, because they're so fired up they don't want to leave and I'm tired and it's late.

I also work with accountants and other professionals through my "Get Off The Wheel" program. This group tends to focus on practice management. We plan to branch out into other industries as well, because systems and procedures are another key area where you can really start saving some money in your business and start getting those profits to increase, simply through documenting systems and procedures in your business. This website is www.getoffthewheel.com.

The favorite part of my business is working with successful entrepreneurs through proactive tax planning. The tax planning side of my business allows me to be a tax super hero, instead of the more traditional accounting side of my business where I have to work with the compliance side of a client's needs which includes telling them they have to file this report with the IRS or that report and pay money. But on the tax planning side, I get to come in and tell them much they are saving by implementing a particular strategy. It's easy to say, "Good job, let's keep moving. Let's implement this next strategy and keep saving money", which ultimately raises their bottom line and puts more cash in their pocket.

Jim Palmer: That's awesome! You know, I thought of a couple more questions. Since it's my program, I'm going to extend the clock if you're okay. Maybe part of it is I want to recover from that last question about how you can help somebody find a tax coach that's not you. We're just going to push that one into the background a little bit.

So, Diane, first of all, “Get Off the Wheel”. That’s where you work primarily now with accountants, right? You’re dealing with a lot of systems and stuff like that. I’m a marketing guy right? So talk about the “Get Off the Wheel”. What are you referring to there?

Diane Gardner: My **“**Get Off the Wheel” program works with accountants and other entrepreneurs to help them take control of their business by utilizing practice management tools that center around creating systems and procedures. This allows them to be able to stop feeling like they’re just a hamster on a wheel where you just work harder but never seem to get ahead. It allows our members to start putting systems and procedures in place in their business. We also teach them how to delegate so they can free up some time to be able to work “on” their business.

Our goal is for our members to feel comfortable delegating tasks to their team members so their business runs smoothly with or without them actually being there. Now they have time to work on a marketing program, an email campaign, a direct mail campaign, a new website, or even get out there and attend conferences. It allows them to set goals for their business and do some planning, budgeting, and even some tax planning.

When it comes time to sell that business down the road, the business is worth a lot more money than one that has no systems or procedures, because you’re basically selling a turnkey operation and somebody else can step in and keep doing what you've been doing and keep making the money that you've been making over the years.

Jim Palmer: That's awesome! So, folks, I know I said we were going to deep dive into the area of taxes and keeping more of your money, but there's a big marketing lesson there. Don't let it slip by. She did call it Diane Gardner's "Get Off The Wheel Practice Management Solutions for Accountants". That really resonates with people who are your core audience, right?

Diane Gardner: You bet! So many of us in many different professions and industries feel like we're just running. You're doing that full on sprint but you don't ever seem to be getting ahead. You're still struggling but yet you're going as fast as you possibly can go and you feel like something's got to give, but you don't know what and you don't' know where. You don't have time to stop and think about it.

I remember when somebody first introduced that concept to me. My first thought was, how in the world can I stop and think about something else. I don't have a minute in the day to do it. Now, I'm so thankful I did because my business runs pretty much with or without me, and it has allowed me to be a serial entrepreneur operating multiple businesses at the same time.

Jim Palmer: So Diane can I hold you for five more minutes? Is that okay?

Diane Gardner: Sure.

Jim Palmer: One of the things that I'm known for is implementation. I think ideas, education and knowledge is all great, but if you don't implement it that's all it is. I know you've read my books, or most of them, but one of the things I always say in the very end is to identify what to do now. I always end most letters and websites with that.

So for somebody that has been listening to this entire interview, and if you did, thank you so much. I know you've been blessed with a lot of good information. If they're like me and hearing this for the first time, they probably feel like their heads are swimming. What's the one or two things should they do now?

I know they're going to go to your websites. You gave those. We're coming up to the end of the year as we're recording this interview. Somebody could be listening and it could be July. So if somebody is thinking, OK, yeah, all that sounds great. I need to find Diane or I need to find somebody like Diane. What's the first thing that you would encourage somebody to do who's just listened to all this so they could figure out if they, too, are leaving $5,000 $10,000 or $50,000 on the table?

Diane Gardner: The first thing I would suggest is for them to reach out to me. I love to get on the phone and talk with them, email or whatever they want to do. Let me take a look at the last couple of year's tax returns. If they really do want to work with somebody who is a little more local to them, I have access to the nationwide group of other certified tax coaches.

Through that group I'm able to reach out to another tax coach who's located in their state or in their general area, if that makes them feel more comfortable. Otherwise, I'd love to work with them. We do work with businesses nationwide. Through the wonderful technology of phones and Skype and emails and secure links and all that, it works out really well.

So the next step would be to contact me. I'm happy to answer any questions you might have. Get on my email list through the www.taxcoach4you.com website. We have Tax Tip Tuesday where I share a quick little tax tip that helps you. We have a blog that comes out every week. There are videos. Start gathering a very basic understanding of how tax planning can affect your business. I know you don't have a lot of time on your hands. So I'm willing to do all the heavy lifting for you. We'll just get you moving.

Jim Palmer: Very good. So reach out to Diane. She gave you all the websites. Probably the number one site for you to go to right now, based on this entire interview, is www.taxcoach4you.com. Reach out to Diane. Again, she said something earlier. It's kind of weird that somebody who is going to do something for you is peering inside your most personal stuff. I think it's actually easier to go to a doctor than it is go to your accountant. I don't know why. There is a huge trust factor there. Again, Diane gets my highest recommendation, she's just an awesome, awesome person with knowledge and integrity. So, again the website is: www.taxcoach4you.com.

Diane, now it is time to wrap up. Thank you so much. This has been an outstanding call. I really appreciate everything you've shared with us. Thank you so much.

Diane Gardner: Jim, thank you for having me on your call today. I really enjoy sharing great information with others.

Jim Palmer: Okay, folks, that wraps up this very special interview and program with Diane Gardner. Just a quick reminder to be sure to check out all of her many books. Just go to www.taxcoach4you.com. That is a wrap. My name is Jim Palmer, the Dream Business Coach. As always, I'm committed to helping you build a more profitable business faster. Until next time, you take good care.