10 Most Expensive Tax Mistakes That Cost You Thousands

Congratulations on taking the first step toward lowering your tax bill! Please read this report and then give me a call.

Are you satisfied with the taxes you pay?

Are you confident you're taking advantage of every available break?

Is your tax advisor giving you proactive advice to save on taxes?

If you're like most business owners and professionals, you're not satisfied with the taxes you pay. You're not taking advantage of every legal deduction, credit, loophole, and strategy. And you're frustrated because your accountant isn't giving you proactive strategies and concepts to save tax.

The good news is you don't have to feel that way. You just need a better plan. Read this report to discover tax mistakes that cost business owners and professionals thousands, year after year after year. Then, please call me at (208) 687-0508 or (800) 841-0212 to learn how to fix those mistakes. You may also email me at Diane@taxcoach4you.com

1. **<u>Failing to plan</u>**

Wondering where all of your money is going?

The first mistake is failing to plan. **Planning** is the key to beating the IRS legally. I don't care how good your accountant is with a stack of receipts on April 15. If you didn't know you could set up a Section 105 plan and write off your kids braces as a business expense, there's nothing you can do on April 15. **<u>You lose that deduction forever!</u>**

True tax planning gives you concepts and strategies you need to minimize your taxes (in plain English, not legalese) without intimidating spreadsheets or endless "projections" that change every time Congress decides to change the law. What should you do? When should you do it? How should you do it?

Tax planning gives you two more valuable benefits. **First**, it's the key to your financial defense. As a business owner, you have two ways to put cash in your pocket. 1.) **financial offense** - making more money, or 2.) **financial defense** - spending less money. Taxes are probably your biggest single expense. So it makes sense to focus your financial defense where you spend the most. Sure, you can save 15% on car insurance by switching to GEICO. But how much will that really save in the long run?

And **second**, tax planning guarantees results. You can spend all sorts of time, effort, and money promoting your business. But that can't guarantee results. Or you can set up a medical expense reimbursement plan, deduct your daughter's braces, and guarantee immediate savings.

We like to start new client relationships with a comprehensive tax plan that lets us start saving you money right away, long before we prepare your first tax return. You don't want to delay in setting up your tax plan as every day of delay costs you tax savings that can't be recouped.

2. **Wrong Expectations**

The second mistake, which keeps people from taking advantage of true tax planning, is holding the wrong expectations. Do you think tax planning means "raising red flags"? Taking advantage of "gray areas"? Being "aggressive" and hoping not to get audited? In fact, it means nothing of the sort.

True tax planning requires proactively scouring your business and finances for tax-saving opportunities, asking questions before you make financial decisions to avoid unpleasant surprises, and taking advantage of every legal deduction, credit, and loophole the law allows.

Our tax planning strategies are all court-tested and IRS approved. You'll find that with true tax planning on your side, you don't need to raise red flags, shade into gray areas, or be aggressive to keep more of what you earn.

3. **Wrong entity**

The next mistake is choosing the wrong business entity. Most business owners and professionals start out as a sole proprietor, then go on to establish a corporation or limited liability company. But which corporation should you choose – a C-Corporation for employee benefits or an S-Corporation for minimizing employment tax? Limited liability companies can be even more complicated. That's because you can choose whether to pay tax as a sole proprietor, a partnership, a C-Corporation, or an S-Corporation.

Choosing the wrong entity can waste thousands in tax, year after year, for as long as you operate your business. If you're operating as a sole proprietor when you could take advantage of a corporation, for example, you'll pay thousands more into the Social Security system. You probably aren't counting on financing your retirement this way. If you're operating as an S-Corporation, you might be losing thousands in employee benefits you could deduct if you were a C-

Corporation. You might even do best with more than one entity, like an S-Corporation to minimize employment taxes and a C-Corporation to maximize employee benefits.

Complicated? Unfortunately, yes. But that's where we come in. We'll evaluate your business to see which entity makes the most sense for you now. And we'll keep evaluating your business as we work together to make sure you have the best possible structure going forward.

4. **Wrong Retirement Plan**

Choosing the wrong retirement plan can be just as challenging as choosing the right business entity. How much do you want to contribute for yourself? How much can you afford to contribute for your employees?

If you're looking to save more than the $5,000 limit for IRA's, you have four main choices: Simplified Employee Pensions (SEP's), SIMPLE IRA's, 401(k)'s, and Defined Benefit Plans.

- SEP's are easy to set up and administer. But will a SEP be enough for your needs?

- SIMPLE IRA's are also easy to set up and administer. But will a SIMPLE let you contribute as much as you'd like? What about employee contributions?

- 401(k)'s aren't just for "big business" anymore. Should you consider a "Solo" 401(k) for yourself and your spouse? How much will a 401(k) cost if you have employees?

- Defined Benefit Plans let you guarantee up to $185,000 in annual retirement income. But Defined Benefit Plans have required annual contributions, and they're harder to manage. Will the benefits make sense for you?

  We can guide you through the retirement plan jungle to choose the best plan for your unique needs.

5. **Missing Family Employment**

The minimum age for hiring a child is just seven years old. That lets you get started saving early, and can even help give your children good work habits. Their first $5,950 of earned income is taxed at zero. (That's because $5,950 is the standard deduction for a single taxpayer – even if you claim them as your dependent.)

We can help you determine how to pay your child, how to document it, and even where to put the money once you've paid them.

6. **Missing Health Care Strategies**

Now let's talk about health-care costs. Surveys used to show that taxes were the small business owners' biggest concern. Now it's rising health care costs.

If you pay for your own health insurance, you can deduct it as an "adjustment to income" on Page 1 of your Form 1040. If you itemize deductions, you can deduct unreimbursed medical and dental expenses on Schedule A, if they total more than 10% of your adjusted gross income. But most of us don't spend that much on healthcare, so we don't get full deductions for what we spend.

What if there was a way to write off medical bills as business expenses? There is, and it's called a Section 105 plan, or a Medical Expense Reimbursement Plan. If you qualify, you can write off just about any legitimate medical expense: long-term care coverage, Medicare, "Medigap" insurance, co-pays, deductibles, prescriptions, dental, vision, and chiropractic care. You can even deduct big-ticket expenses like braces for your kids' teeth, fertility treatments, and LASIK surgery. Even nonprescription medication and medical supplies, like aspirin and cold remedies are deductible.

The best part is, this is money you'd spend anyway, whether you get a deduction of not. You're just moving it from a nondeductible place on your tax return, to a deductible place. You'll save income tax on whatever you deduct. You may even save self-employment tax too.

If a Section 105 Plan won't work, we can discuss Health Savings Accounts. These arrangements combine a high-deductible health plan with a tax-free savings account to cover unreimbursed costs. They give you much the same benefit as the Section 105 Plan, without quite the flexibility.

7. **Missing Home Office Expenses**

Home office expenses are probably the most misunderstood deduction in the entire tax code. For years, taxpayers feared it raised an automatic red flag. But Congress has relaxed the rules, so now home offices attract far less attention.

Your home office qualifies as your principal place of business if: 1.) you use it "exclusively and regularly for administrative or management activities of your trade or business"; and 2.) "you have no other fixed location where you conduct substantial administrative or management activities of your trade or business". This is true even if you have another office, so long as you don't use it more than occasionally for administrative or management activities.

Claiming a home office lets you deduct the "business use percentage" of your mortgage interest or rent, property taxes, utilities, repairs, insurance, garbage pickup, and security. You'll also get to depreciate part of your purchase price. And claiming a home office even boosts your car and truck deductions. That's because it eliminates nondeductible commuting miles for that business.

We'll help you determine if you qualify for the home office deduction – and if so, how to make the most of it.

8. Missing car and truck expenses

Car and truck expenses are easy to overlook because you can take a standard mileage allowance (currently 56.5 cents/mile). But that allowance is the same for all vehicles, no matter how big they are, how much they cost, or how much gas they guzzle. Do you think every car on the road costs 56.5 cents per mile to drive?

It might surprise you to see how much it really costs to operate your car. And it's likely to be more than 56.5 cents per mile! If you're taking the standard deduction for a car that costs more than 56.5 cents/mile, you're losing money every time you drive for business.

Every year, the American Automobile Association ("AAA") publishes a driving cost survey. For 2013, they found small sedans like the Honda Civic cost 38.4 to 57.6 cents/mile. Medium-sized sedans like the Toyota Camry cost 50.1 to 74.9

cents/mile. Large sedans like the Chrysler 300 cost 63.6 to 98.8 cents/mile. SUV's like the Ford Explorer cost 59.1 to 91.0 cents/mile. Minivans cost from 54.0 to 64.2 cents/mile. And that was with gas prices at $3.357 per gallon!

If you are taking the standard deduction now, you may be throwing away savings you could take with the "actual expense" method. We can walk you through both methods to see which saves you the most now, as well as help make the right decision when it comes to buying or leasing a new car for business.

9. **Missing Meals and Entertainment Expenses**

Let's finish up with some fun deductions for meals and entertainment. The basic rule is that you can deduct meals where you conduct a "bona fide" business discussion. This means clients, customers or patients, prospective clients, customers or patients, referral sources, and business or professional colleagues.

So let me ask you – when do you *ever* eat with someone who's not a client, prospect, referral source, or business colleague? If you're in a business like real estate, insurance, or investments, where you're constantly marketing yourself, the answer might be "never". Be sure to deduct every meal where you legitimately advance your business!

You don't even need receipts for expenses under $75.00. You just need to record the cost of the meal, the date of the meal, the place where it takes place, the business purpose of your discussion, and your business relationship with your guest.

Do you ever entertain at home? Ever discuss business when you do it? Are you deducting those meals too? There's no requirement that you eat out. So don't forget to deduct home entertainment expenses too!

You can even deduct entertainment expenses if they take place directly before or after substantial, bona fide discussion directly related to the active conduct of your business. You can deduct the face value of tickets to sporting and theatrical events, food and beverages, parking, taxes, and tips.

We'll help you make the most of your deductible meals and entertainment so you don't miss a deductible dollar!

10. **The Biggest Mistake of All**

Now that you see how business owners and professionals miss out on tax breaks, let's talk about the biggest mistake of all. What mistake is that?

The biggest mistake of all is missing our tax planning service.

Have you heard the saying, "if you fail to plan, you plan to fail"? It's a cliché because it's true. Fortunately, our planning service avoids this problem.

We offer *true* tax planning. We tell you what to do, when to do it, and how to do it. **Call me at (208) 687-0508 or (800) 841-0212 for your FREE Tax Analysis.** We'll find the mistakes and missed opportunities that can cost you thousands – and then give you a plan for rescuing those lost dollars.

We guarantee you'll leave with new information or we'll donate $50 in your name to your favorite charity.

You have nothing to lose but opportunity!

So call me at **(208) 687-0508** or **(800) 841-0212** and schedule your FREE tax return analysis today! You don't want to delay in setting up your tax plan as every day of delay costs you tax savings that can't be recouped.

Appointments times and dates are limited so pick up the phone and call immediately or send me an email!

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