

TAX COACH FOR YOU
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As an entrepreneur, the IRS will allow you to deduct your business expenses from your business income. To maximize your business profits, you need to be informed of all the tax breaks and deductions to which you are entitled. Review these 17 tax tips; then connect with us for assistance with a tax plan suited to your individual circumstance.

1 One of the major deductible expenses is the business use of your vehicle.

There are two methods to choose from when figuring your deduction: the *standard mileage method*, or the *actual cost method*. Before choosing the method for deducting vehicle expenses, consider the tax consequences of each. The price for using the simplicity of the *standard mileage method* may mean lost deductions.

You can switch to the *actual cost method* even if you started with the *standard mileage method*. However, once you begin using the *actual cost method* on a vehicle, you can't switch back for that vehicle.

2 Keep sufficient records for meals, travel, and entertainment expenses.

Out of town travel to meetings, conventions, or other business events are deductible. Included in that deduction are: lodging, transportation, laundry, phone calls, etc. Business travel is 100% deductible, however, meals and entertainment are only partially deductible. Legitimate business discussions must take place directly before, during or after the meal or entertainment event.

Most business meals are only 50% deductible, but there are exceptions to this rule. For example, the cost of food and beverages provided at your company party, picnic or open house that you sponsor is 100% deductible.

Your records must show dollar amount spent, date, time, location, business purpose, names and business association of individuals involved.



3 Promotions are deductible. Don't overlook stationary, business cards, advertising, pens, calendars, banners, etc. Items you purchase to promote your business are deductible

4 Health insurance is deductible to you as a self-employed taxpayer. You are authorized, because you are self employed, to take a special "above the line" deduction for health insurance premiums you pay for yourself and your family.

5 Take business-use deductions whenever possible. If you have items used in some measure for both business and personal use, you can, and should, deduct the business-use portion.

6 If you operate your business from your home, you may qualify for several added write offs. You may be entitled to write off the business portion of your home utility bills, insurance, maintenance, and other expenses. The requirements for deductibility are very strict; get details if you think you might qualify.

7 Continuing education expenses are deductible. Keep track of them.

8 Monthly dues paid are a deduction you can take. As long as it is a business related membership in professional and public service organizations, you can deduct it. Country clubs, golf and athletic clubs, airline and hotel clubs are not deductible, however.

9 You can elect to expense a certain amount of equipment costs in the year of purchase. Any amount you expense reduces your tax basis for depreciation. The expensing election applies to the purchase of a car too, but with certain dollar limits and only if you use the *actual cost method* for car expenses.

10 Give that kid a job. If you need help in your business, consider hiring your children. The wages you pay will be deductible by you and taxable to your children in their presumably lower tax bracket.

11 If you hire your spouse to work for you, you might qualify for special tax breaks.

For example, if your spouse accompanies you on business trips for legitimate reasons, you can deduct their expenses right along with yours. Look into other benefits including a section 105 plan to be able to deduct 100% of your family's out of pocket medical expenses.

12 Don't miss out on the self-employment tax deduction. As a self-employed tax payer, you pay a self-employment tax which is equivalent of both the employee and employer portions of FICA tax. Don't miss the fact that you are allowed to deduct 50% of the self employment tax you pay.

13 You are allowed a limited tax deduction for gifts to clients. If you have a little something special you buy your clients upon closing a deal to encourage referrals, you are allowed to deduct a limited amount of the cost.

14 Check out the perks of having a retirement plan. Contributing to a retirement plan can reduce your tax bill and build a nest egg. Review the different types of plans, and choose the one that best fits your business.

In addition to a retirement plan, you might also qualify for an individual retirement account. If you do, compare the relative benefits of a Roth IRA versus a traditional IRA (if you qualify for both). With a Roth IRA, your contributions are not deductible, but qualifying withdrawals are 100% tax free. With a traditional IRA, you get a current tax deduction on contributions, and you are taxed on withdrawals at retirement.

15 Don't underpay your taxes. On self-employment income there are no income taxes withheld. That doesn't mean you are not required to pay taxes during the year. Self-employed individuals generally are required to pay taxes through quarterly tax payments due April 15, June 15, September 15, and January 15 of the following year. Set up quarterly estimated tax payments and make these payments on time. Late or deficient payments mean you'll be assessed penalty and interest charges in addition to your tax liability.

16 Keep good records. Keep good records. Good record keeping is essential. It is important enough to say three times. It is not only important for tax reporting purposes, but also for your success as a professional.

17 Always take a sensible approach when it comes to tax planning. Your business activities and purchases should have economic merit without the tax considerations. However, taxes are a fact of life and the truth of the matter is that a little planning can often save a lot of money.

The information in this brochure is of a general nature and should not be acted upon without further details and/or professional assistance

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