

MONEY SAVING TAX TIPS FOR TAXPAYERS

The following information is for self-employed individuals who have a net profit from their business. If you have a loss the information below will not pertain to your business.

Listed below are additional suggestions on how taxpayers can save money on a profit making business. Each item listed may or may not have an impact. If you so choose to act on the any of the listed items, please contact us before you initiate any action.

1. **Hire your spouse**. It is a little known fact, that if you hire your spouse you **may** have all or a majority of your medical expenses act as a deductible expense on your business return. This is a great way to save money on your tax return. You must provide your spouse with a W-2. There may be additional costs associated with employment taxes, however, the money saved by including medical expenses on the business return will greatly out way the costs.
2. **Employ your children**. There is no better way to save money, and keep it in the family, than to pay your own kids. If you pay your child (who is **less than 18** years of age) on a W-2 (which we recommend) you will not have to pay any employment taxes. You write your child a check, then, you put it into their savings account for college, what could be better for your business!
3. **Have a retirement plan**. If you are self-employed, you will not receive any help from anyone for a retirement plan. Your retirement plan will only be provided by you. You must seek help from an advisor (we can provide you with an individual) who can set up a **Self Employed Pension (SEP)**. Your annual income, will determine how much you can contribute. This is a great way to save money for you, and your family's future, as well as, save money on your taxes.
4. **Keep timely estimated payments**. Something that can easily hurt many self-employed taxpayers, is getting behind in making federal, state, or local tax estimated tax payments. In a very quick amount of time they find themselves behind, and then the government wants to charge fines and penalties. If you are unsure about the amount of estimated payment that needs to be sent in, please contact us. We can help keep you on track, and, hopefully, on time.
5. **Leasing versus buying a car**. This is a subject that we are frequently asked about. Should I lease or buy? If you have a business, leasing a car is much better. You can use more of the value of the car, as expenses, quicker than buying the car. Two aspects must be examined before you lease. The first aspect, taxpayers find it difficult to stay within the lease requirements regarding mileage. Most people cannot stay within the allotted 12,000 or 15,000 miles. The second question, will you drive the vehicle more than 75%-80% for your business only? If you drive less than that the lease may not be in your favor. We suggest that leasing be an option the next time you look into your next automobile.

6. **Buy what you need or even what you want.** Most taxpayers, that have a net income in their business, have the option of paying taxes to the government, or buying what they need or want. I suggest you buy what you need or want. Buy the equipment (desks, chairs, vehicles, and etc.) you need, before the end of the year, to reduce your net income. Many could even purchase a television and write off a portion of the cost (if it could be used for business and time logged). It may only be a small portion, however, it still may be deductible.

7. **When paying anyone on a 1099misc, be careful.** For most self-employed taxpayers, paying an individual on a 1099misc can save a lot of time and money. However, it can also get you into trouble. It is important to know that if you have someone at your home who is consistently working for you, they need to be paid on a W-2! An individual who is paid on a 1099misc is considered, by the IRS, to be a subcontractor. Many times they have their own business, and work from their own home or office. Please be safe! If someone comes to your home and works throughout the year, pay him or her on a W-2!