

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 likely not pertain to your business.

Listed below are additional suggestions on how taxpayers may save money on a profit-making business. If you choose to act on any of the listed items, please contact us before you initiate any action.

1. **Employ your children or grandchildren.** 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!
2. **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 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 saving money on your taxes.
3. **Keep timely estimated payments.** Something that can easily cost many self-employed taxpayers, is getting behind in making federal, state, or local tax estimated tax payments. In a very short amount of time, taxpayers may find themselves behind, and then the government wants to charge fines and penalties. If you are unsure of the amount of estimated payments that may need to be sent in, please contact us. We can help keep you on track, and, hopefully, on time.
4. **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 may be your better option. You can use more of the value of the car, as an expense, quicker than buying the car. Two aspects should be examined before you lease. Can you stay within the lease requirements regarding mileage. Most people cannot stay within the allotted 12,000 or 15,000 miles listed in the lease contract. The second question, will you drive your vehicle, at least 70% for your business only? If you drive less than 70% the lease may not be in your favor. We suggest that leasing is an option when choosing your next vehicle.
5. **Buy what you need or even what you want.** Taxpayers that have a positive income in their business have the option of paying taxes to the government or buying what they need or want to improve their business to help reduce their taxes. I suggest you buy what you need or want. Buy the equipment (phones, computers, desks, chairs, vehicles, etc.) you need, before the end of the year, to reduce your net income.
6. **To make more money your going to need help!** Most self-employed taxpayers, paying an individual can help save time and money. If you are going to make more money, you are going to need help. However, you need to be careful when you do it. It is important to know that if you have someone in your home who is consistently working for you, there may be additional risk. To help eliminate the added liability of having taxes withheld from their income (W-2) we suggest changing up where and when they work. Often when someone works for us, we simply provide them with a 1099 NEC. However, a 1099 NEC is considered, by the IRS, to be a subcontractor. Often these individuals have their own business, and work from their own home or office. I recommend that you eliminate any time they spend in your home and have them work at their own pace with little work structure. If someone comes to your home and works throughout the year you will likely need to have taxes withheld and provide them with a W-2!