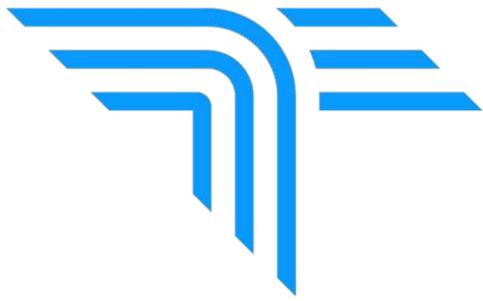


TAXELM

Maximizing Deductions

Tax Saving Strategy Guide





TAXELM

Join Today!

**Tax Savings
Blueprint &
Training Library**



**Unlimited
Access to Tax
Experts**



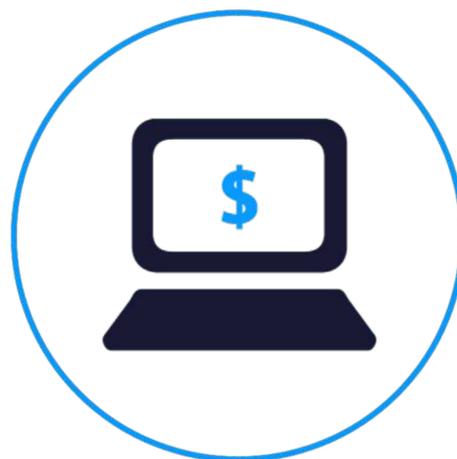
**Annual
Comprehensive
Consultation**



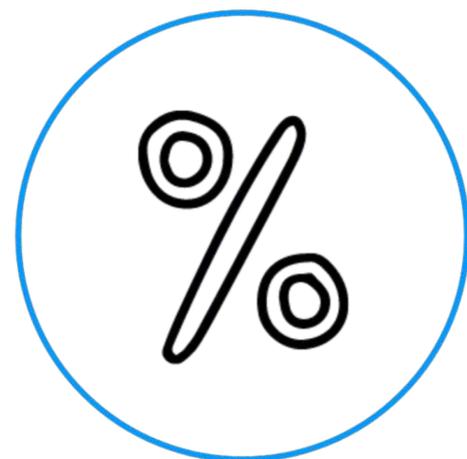
**Annual Tax
Return Review**



**Monthly
Webinars &
Training**



**Partner
Directory and
Discounts**



www.TaxElm.com

"It's like having a tax strategist in my back pocket everyday, ensuring I pay the least amount in taxes along my entrepreneurial journey."

TaxElm Member

Maximizing Deductions

“You lose every time you spend AFTER tax dollars that could have been PRE tax dollars.”

The fact is, business owners for far too long have been told that in order to lower their taxes they need to go out and buy things.

"Go buy a truck" (that you don't need)

"Go buy a new TV" (that you don't need)

After reading this, my hope is that you look at maximizing deductions in a completely different lens and change from this conventional way of thinking and understand what maximizing deductions actually means.

AFTER TAX DOLLARS

Money you spend after it has been taxed.

As a W2 employee you have your gross wages and then all of these taxes are taken out and whatever is left over gets deposited to you as your take-home pay. Your take-home pay is "after tax" dollars.

If that W2 employee is working from a home office and went out and bought a desk and chair, they used after tax dollars for that spending. They get no tax deduction for it.

PRE TAX DOLLARS

Spending done prior to being taxed.

As a business owner you have your sales or revenue and then all of your expenses that offset it and whatever is left over (your profit) is then taxed.

Take that same example as before but now you are a business owner. That home office you are using (utilities, internet, maintenance, lawn care, etc) is all partially deductible. That desk and chair you bought is a tax deduction.

Spending you do with-in the business is considered pre tax, you are spending dollars prior to them being taxed. This is an incredible advantage that business owners have. We want you to always be strategizing on how you can find after tax dollars that can be moved to pre tax dollars.

How can you find a business purpose in everyday spending that allows you to move the expense into the business and getting a pre tax business deduction?



What Can I Deduct

Within the day-to-day life of your small business, you will incur **ordinary** and **necessary** expenses that you can deduct when filing your taxes.

ORDINARY

Common and accepted in your industry.

NECESSARY

Helpful and appropriate in operating your small business.

Basically an ordinary and necessary expense means that it is typical in your line of work and appropriate or helpful for your business. Helpful to find new clients, keep current clients, get talent, retain talent, maintain day-to-day operations, etc.

To meet this test the expense does not have to happen often or be a recurring expense (although it can be). It also does not have to be indispensable to be considered necessary.

Throughout this guide we are going to outline various expenses that may be relevant to you and your business. Keep an eye out for "[Planning Opportunities](#)" as they include some expert insights to take advantage of what is available to you as a business owner.



Protect Yourself

Be sure to "dot your i's and cross your t's" when implementing any business strategy.

DISCLAIMERS

This is General Advice

Not every tax deduction may be allowed for your specific business. Be sure to talk with your tax professional before acting to ensure it'd valid in your line of business. What is a valid deduction for one business owner, may not be the same for another.

Have a Separate Bank Account (and Credit Card) for Your Business

If the IRS challenges you, they will ask for bank records and if they see business and personal items commingled into one account they will scrutinize expenses at a higher level.

Do Not Get Greedy

Always do the "sniff test". If I was in front of an auditor would the documentation and business explanation I have be something they agree with?

Make sure your expenses are proportionate to your income and make sense in relation to the industry you are in. If you have \$5,000 in income and \$50,000 in travel expenses it may be hard to defend it being ordinary and necessary.

Bottom line, do not get greedy but also do not be afraid to take advantage of the tax laws that are available to you.

RECORD KEEPING

Write directly on every receipt: the business purpose and background behind the transaction. The more info you can document the better.

Do this right away. If you need this down the road you have it on file and will not have to try and remember the business purpose 3 years later.

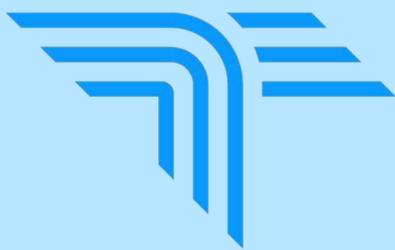
Take a picture and store them in a digital file (Google Drive, Dropbox, HubDoc, etc.) should you need them down the road. No need to hold on to the physical paper copy.



“

My goal is for every business owner to know the strategies that are available to them to ensure that they are paying the least amount in taxes as legally possible, each and every year!

Mike Jesowshek, CPA



TAXELM



DESCRIPTION

These expenses are incurred to promote a business, such as newspaper ads, flyers (including the cost of distributing them), television and radio promotions and business cards.

PLANNING OPPORTUNITIES

Move From Charitable Contribution to Advertising

With the new increased standard deduction, many lose out on getting a tax advantage to giving to charity. Supporting a charity? If you can find a way to tie it to advertising you can take it as an advertising expense which is more beneficial than a charitable deduction. Some examples are:

Sponsoring Local Event - Put your logo on items or promotional materials that could then lead to new business.

New Client/Social Media/Review Charity Drive - Run a promo that says for every new client or follower or review you will donate \$x to charity.

Clothing

Clothing is traditionally NOT deductible if it is appropriate for everyday use. However, put your logo or brand on your clothing, then making it a deductible advertising expense.

EXAMPLES

- Newspaper Ads
- Flyers (including the cost of distributing them)
- Television and Radio Promotions
- Media Buys
- Business Cards
- Postcards
- Logo Design
- Charitable Sponsorship
- Social Media
- Google Ads
- Facebook Ads
- Podcast Promotion
- Vehicle Wrap

- Billboards
- Commercials
- Ads on a Bus or Subway
- Building a Website
- Content Creation
- Email Marketing
- Influencer Marketing
- Sponsoring an Event
- Swag (Logo T-Shirts, Novelties, Pens, Koozies, Paper Pads, Flasks, etc)
- Conventions or Trade Shows
- Exhibits
- Prizes for Contest
- NOT DEDUCTIBLE: Political or Lobbying Expenses

Bad Debts

DESCRIPTION

Customer accounts receivable and notes receivable that are definitely known to be worthless are business bad debts and are deductible if the income was included in gross income. Generally, only accrual method business owners have a bad debt deduction. A cash method business owner is not entitled to claim a deduction for business bad debts because the sale was never included in income.

EXAMPLE

Client/Customer Not Paying You

DESCRIPTION

Referral fees or occasional amounts paid to individuals who are not employees or independent contractors may be deductible. This does not include commissions paid to employees, those would go under Wages and Salaries.

EXAMPLES

Sales Person
Sales Firm / Company
Affiliate Payments

Commissions and Fees

Contract Labor

DESCRIPTION

Payments that are paid to independent contractors/subcontractors (non-employees) for services rendered are deductible.

EXAMPLES

Freelancers/Independent Contractors (to support in areas you are not an expert)
Consultants
Business Coaches
Virtual Assistants

NOTES

Employees would be separate and recorded under Wages and Salaries. For contractors, remember to **collect a W9 before you pay them** and then **send a 1099 at year-end if necessary**.





Depreciation

DESCRIPTION

At a very basic level, depreciation is simply the process of spreading out the expense for an asset purchase over time. When you buy personal property (such as a car, computer, or other equipment) or real property (such as a building) you have a few possible options for deducting that cost.

The kinds of property that you can depreciate include machinery, equipment, buildings, vehicles, furniture, etc.

You can't claim depreciation on property held for personal purposes. If you use property, such as a car, for both business or investment and personal purposes, you can depreciate only the business or investment use portion. Land is never depreciable, although buildings and certain land improvements may be. Purchases not expected to last more than one year you would simply expense immediately.

DEPRECIATION OPTIONS

Regular Depreciation: Can take anywhere from 3 to 39 years, depending on the type of asset purchased.

Bonus Depreciation: Allows you to deduct 100% of the cost of personal property in one year, through 2022.

Section 179 Expensing: Allows you to deduct up to \$1,050,000 of the cost of personal property in one year.

DEPRECIATION RULES

Rule #1: You Must Be In Business

Rule #2: Depreciation Begins When You Place Property In Service

PLANNING OPPORTUNITIES

Furniture and Equipment

Do not forget about these items. You are buying a desk, desk chair, stools for your standing desk, all these items you want to ensure you are taking advantage of your ability to take as a business deduction.

Implement a Capitalization Policy

Setting up a capitalization policy allows you to immediately expense items under **\$2,500** without having to even worry about depreciation. The IRS refers to this as a "safe harbor".

Employee Benefit Programs

DESCRIPTION

Contributions to employee benefit programs include those to education, recreation, health and welfare programs. Amounts paid by the business as employer contributions to a pension, profit-sharing, or annuity plan for employees are deductible.

EXAMPLES

Employer Contributions to: Solo 401k, SEP IRA, 401k, Health Reimbursement Plan, Health Savings Plan, Pension Plans

Plan Design and Implementation Costs

PLANNING OPPORTUNITIES

De Minimis Fringe Benefits

Get a deduction (and tax free to the recipient) for the cost of giving you or employees "de minimis benefits".

De Minimis = Small (~\$70 or Less) and Not Frequent

Examples

Holiday or Birthday Gifts

Flowers, fruit, or similar items provided under special circumstances (for example, on account of illness, a family crisis, or outstanding performance).

NOT Included (aka Taxable): Cash, Cash Equivalents, Gift Cards, Coupons, etc.

Employee Entertainment

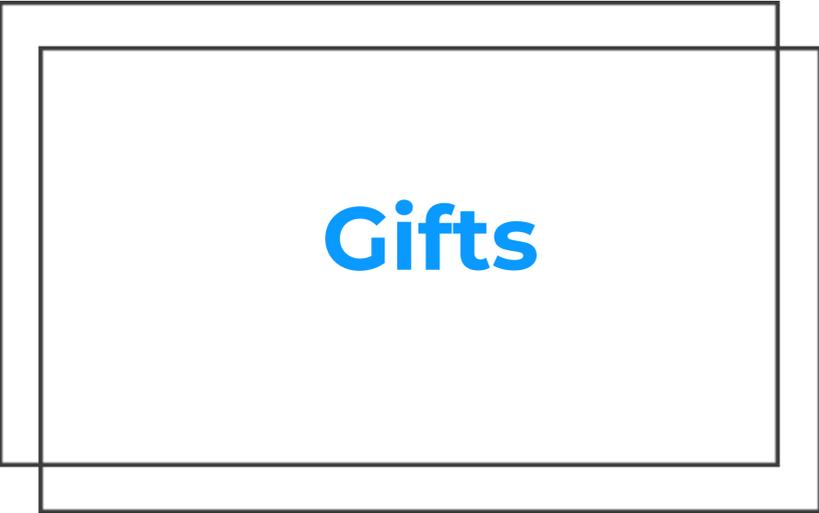
"expenses for recreational, social, or similar activities (including facilities therefore) primarily for the benefit of employees" qualify for the 100 percent deduction.

MUST be primarily (50% or more) for the benefit of employees other than a tainted group. A tainted group includes: highly compensated employees and an individual or family member of individual owning 10% or more.

Examples

Holiday parties, annual picnics, summer outings, maintaining a swimming pool, baseball diamond, bowling alley, or golf course.





DESCRIPTION

The cost of business gifts to current or prospective customers is deductible up to a maximum of \$25 per customer per year.

EXAMPLES

- Gift Cards to Stores or Restaurants
- Flowers
- Baskets
- Wine

PLANNING OPPORTUNITIES

Different Categorization

Can you find a separate category that would be valid to code an item under?

Let's say you want to give iPads to your team, could you load it with content and training materials to categorize as a training deduction vs gift. Could it be used to do work instead of personal use?

Married Couple (or Family)

The \$25 limit is per individual, if you are gifting to a married couple you can double it to \$50, assuming you have a relationship with both.

Branding and Logo

Is there a way you can put your logo or brand on specific items and treat them as an advertising expense? The following items are not considered gifts:

An item that costs \$4 or less and has your name on it and is widely distributed (think: pens, desk sets, bags, accessories, etc.)

Signs, display racks, or other promotional material to be used on the business premises of the recipient.

Insurance

DESCRIPTION

Premiums paid to protect the business against losses are deductible as an operating expense. Current or prior-year premiums may be deducted in the year paid for a cash-basis business owner. Whether the cash or accrual method of accounting is used, advance payments may be deducted only in the year to which they apply.

EXAMPLES

Premiums for: Fire, Theft, Flood, Merchant and Inventory, Credit, Public Liability, Workers Compensation, Business Interruption, Errors and Omissions, Disability (For Employees), Malpractice, Display Window and Product Liability, Health, Dental, Vision

Note: Life insurance covering your officers and employees is generally deductible IF you aren't directly or indirectly a beneficiary under the contract.

DESCRIPTION

This is usually reported on a 1098 but all interest on business indebtedness for which the business owner did not receive a Form 1098 would also be included.

EXAMPLES

Mortgage (Business Location)
Credit Card/Finance Charges
Installment
Loan

Interest

Legal and Professional Services

DESCRIPTION

Costs for legal and professional services.

EXAMPLES

Attorney
Accountant / Tax Advisor
Architect
Creative Services
Event Management
IT Services





Meals

DESCRIPTION

Starting in 2018, entertainment expenses are no longer deductible, but the meals around the entertainment can be expensed assuming the amount can be separated from the entertainment cost.

DEDUCTIBLE AMOUNTS

Dining w/ a Prospect, Client, Vendor, etc.
50% Deductible

Dining When Traveling
50% Deductible
(Must be overnight aka outside of your normal commute)

Dining w/ Staff
50% Deductible

Office Meals / Food
50% Deductible

Company Parties / Presentations / COGS
100% Deductible

PLANNING OPPORTUNITIES

Eliminate the Word "Friend" From Your Vocabulary

From now on, these people are sources of business, so start talking business and asking for referrals over meals and beverages.

Country Club

A country club membership is NOT Deductible but the meal and drink portion would be, if it was for a business purpose.

Activities That Qualify for the 100% Employee Entertainment Tax Deduction

Review Employee Benefits Program Section

Solo Meals and Drinks

Going through the drive thru at Starbucks on your way to work is not a business deduction. However, if you plan a business meeting around that stop or you are on an overnight business trip, then it would be.

EXAMPLES

Meeting w/ Current or Potential Client
Meeting w/ Current or Potential Employee
Employee Team Meals
Hosted Meetings (Chamber, BNI, Networking, etc)
Year-End Parties

Food and Drinks at Golf Outing
Team Building Recreational Events
Meal at Country Club w/ Client
Cafeteria at Office
Meals Cooked in Hotel Room

Office Expenses

DESCRIPTION

Office expenses are the costs of consumable office supplies. If over a certain dollar amount you will want to capitalize and depreciate.

PLANNING OPPORTUNITIES

Technology Write-Offs

This is one often overlooked area. When you are buying electronics, think about what you are buying and if it would be viable for a business deduction.

Examples: Computers, Tablets, Phones and Accessories, Microphones, Cameras, Drones, Projectors, etc.

Subscriptions or Memberships

Find a business purpose to these subscriptions so you can run them through the business.

Examples: Costco, Amazon Prime, Newspaper, Magazines, etc.

Duplicate Items

Have duplicate items? This enhances the business use.

Have a home phone through your cable? Deduct 100% of your cell phone.

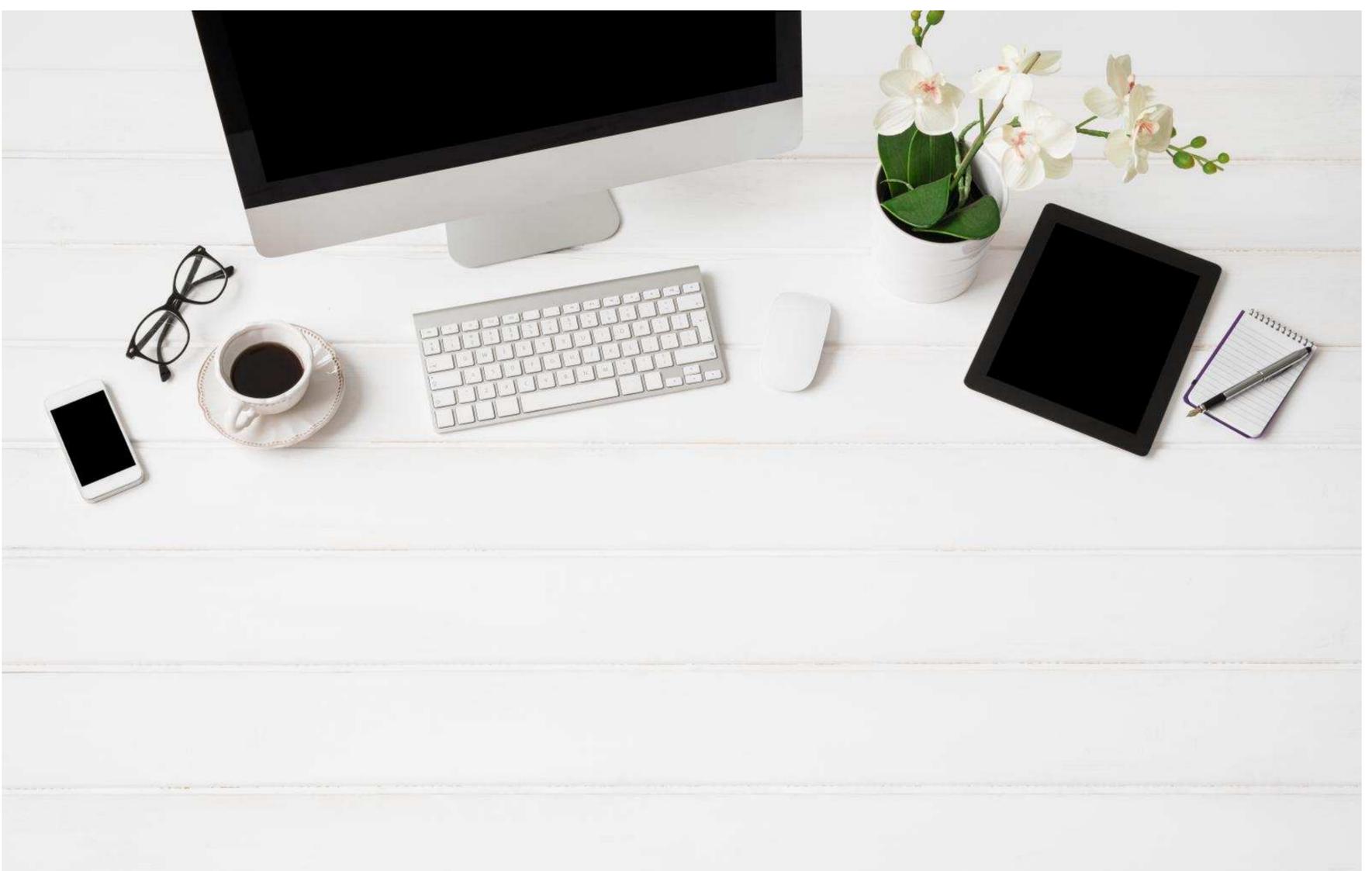
Have a camera at home? Deduct 100% of your new camera for video recording.

Duplicate items allow you to get a little more aggressive should you wish.

EXAMPLES

Paper Pads, Pens, Pencils
Technology Items and Accessories
Supplies for Equipment (Cash Registers, Computer, Copiers, Printers)
Books
Related Supplies
Camera

Drone
Internet Hosting and Services
Postage
Headphones, Microphones, etc.
Software and Online Services
Video Equipment





Rent or Lease

DESCRIPTION

Rent or lease payments of business property are deductible in the tax year for which the rent is due.

EXAMPLES

- Office
- Storage
- Shop
- Postage Box
- Equipment
- Safety Deposit Box

Note: If you have a home office, check out our specific training on that.

DESCRIPTION

Repairs and maintenance includes amounts necessary to maintain property in an ordinary, efficient operating condition. It is important to distinguish between repair expenses and improvement expenses because an improvement must be depreciated. A capital expenditure increases the value of the asset, the productivity of the asset, prolongs the asset's useful life, or adapts it to a different use.

EXAMPLES

- Labor
- Supplies
- Cost of Service Contractors
- Cleaning
- Janitorial

Repairs and Maintenance



Start-Up Expenses

DESCRIPTION

Instead of waiting until you officially open for business, you can start the timer now on your deductible expenses.

Per the IRS website, start-up costs are amounts paid or incurred for: creating an active trade or business and/or investigating the creation or acquisition of an active trade or business.

QUALIFICATIONS

It is a cost you could deduct if you paid or incurred it to operate an existing active trade or business (in the same field as the one you entered into).

AND

It is a cost you pay or incur before the day your active trade or business begins.

ORGANIZATIONAL COSTS

Organizational costs are those expenses for the actual formation of the company. This would be if you are setting up an actual entity and not just a sole prop. Think of things like: state incorporation or registration fees, legal and accounting fees, the cost of temporary directors, and the cost of organizational meetings

DEDUCTION

Important Number: \$50,000 (For Each Start-Up and Organizational Costs

Less Than \$50k

Deduct \$5,000 in the first year the business starts, amortize remaining

More Than \$50k

First year deduction decreases by \$1 for every dollar over \$50k, amortize remaining

How Amortization Works

Deduct Remaining Equally Over 180 Months (15 Years)

EXAMPLES

Travel Costs
Meal Expenses
Training Costs
Market Analysis

Book or magazine purchases related to the business.

Office supplies to use in the business.

Advertising fees for the opening of your business.

Wages or contractor labor for consultants and employees.

DO NOT QUALIFY:

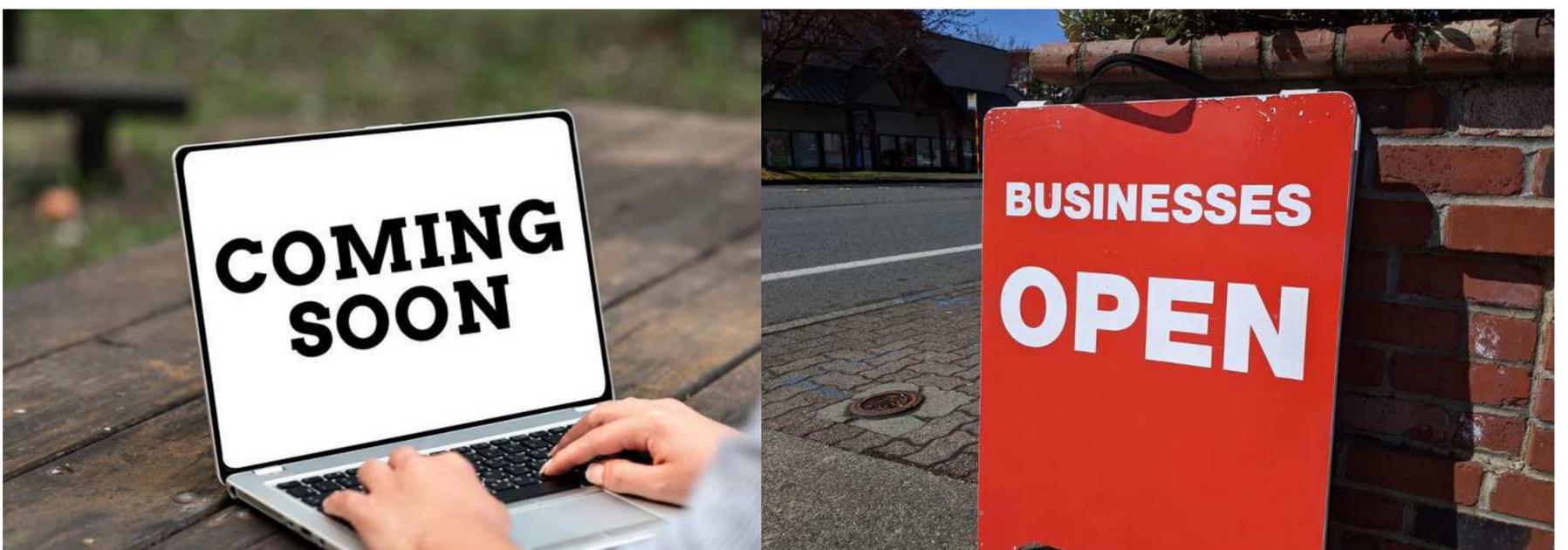
Interest
Taxes
Research and Development Costs
Equipment (Depreciated)

However these can generally be deducted under other tax law provision.

PLANNING OPPORTUNITIES

You are considered "in business" and no longer start-up costs when your first sale occurs. Plan a "pre-opening" sale.

You have to wait until business actually begins to start realizing the tax benefits of start-up costs but you can begin accruing and recording as soon as you start thinking about a business.





Supplies

DESCRIPTION

Any supply items necessary to the proprietor's business are tax deductible.

EXAMPLES

- Gift Wrapping Materials
- Cleaning or Maintenance Supplies
- Maintenance of a Watchdog or Security System
- Computer or Tech Supplies

DESCRIPTION

Licenses or taxes that are directly attributable to the trade or business are deductible.

EXAMPLES

- Occupation License
- Liquor/Chauffeur/Building License
- Regulatory Fees
- Real Estate Taxes on Business Property
- State or Local Gross Income Tax
- Personal Property Taxes on Business Items
- Sales Tax
- Compensating Use Taxes
- Federal Highway Use
- Payroll

Taxes and Licenses

Note: Real estate taxes paid on a personal residence with a qualified home office are deducted as business-use-of-home expenses. If sales tax is collected from the buyer, the amount must be included in gross receipts. Sales taxes paid on supplies or depreciable property are added to the cost basis of the property.





Travel

DESCRIPTION

Expenses incurred while you or your employees are away from home on business may be deductible. An individual is away from home if he or she is required to be away from his or her tax home substantially longer than for an ordinary day's work and he or she needs to get sleep or rest to meet the demands of the work while away from home. The tax home is the entire city or general area in which an individual regularly works, no matter where he or she lives.

TRAVEL COSTS

- Transportation (Automobile, Airplane, Train, Boat)
- Lodging (Hotel, AirBnB, etc.)
- Rental Car, Tolls, Parking, Bus, Taxi, Uber, etc.
- Meals (50%)

THE RULES

Business Day

In order for a day to be considered a business day, the majority of the day (4 hours and 1 minute) has to be spent on business.

Overnight

To be in "travel status" you must be away from your principal place of business overnight.

PLANNING OPPORTUNITIES

Business Days on Personal Trip

You can deduct food and lodging on business days even if your trip does not include enough business days to count as a business trip.

Plan Out Your Trips

When you have travel plans, plan ahead to see if you can make that into a deductible business trip. Be sure you keep a diary of the business days. If you have family (not involved in the business) traveling with you, their costs are not deductible.

TRAVEL REASONS

- Meeting with Vendor
- Meeting with Client
- Corporate or Board Meeting
- Attending a Conference
- Visiting a Rental

Travel Days

Days you are traveling are considered business days if business days exceed personal days. For INTL trips greater than 7 days this turns to >75% business.

Weekends and Holidays

If you have a weekend or holiday sandwiched between two business days they are considered business days even if spent personally.

Example

You have a 3 day conference in Dallas. You and your family drive from Milwaukee to Dallas. It takes 2 days to drive each way and you also spend 5 days sightseeing (personal). Your trip is majority business (7 of 12 days) and therefore you deduct 100% of transportation and lodging and meals (50%) for the 7 business days for yourself only.

Cruise Ship or International Travel

Contact us to go through this scenario!



Utilities

DESCRIPTION

The utilities deduction includes charges on business property.

EXAMPLES

- Electricity
- Gas
- Telephone
- Water
- Sewer
- Garbage
- Telephone
- Internet

Note: Be fair if you only have one cell phone and be sure to split out a portion for personal use. Typically we see around 80% for most business owners.

DESCRIPTION

To be deductible, compensation must be an ordinary and necessary expense of carrying on the business, reasonable in amount, for personal services actually rendered, and actually paid or incurred during the tax year.

EXAMPLES

- Gross Salaries
- Wages
- Other Compensation
- Children on Payroll
- Spouse on Payroll

Wages and Salaries

Note: The employer portion of payroll taxes typically are a separate expense account but are fully deductible. This includes social security, medicare, federal unemployment (FUTA), state unemployment, etc.



Other Expenses

DESCRIPTION

We could of course go on for days of various categories so here are some that fall in that “other” category.

EXAMPLES

Cost of Goods Sold

Materials

Bank Service Charges - Monthly Account Fees, Annual Credit Card Fees, Service Charge for Accepting Credit Cards aka Merchant Fees, Transactions Fees (Wire/ACH/etc), Overdraft Fees

Charitable Deductions Made For Business Purpose to Qualified Organization

Education & Training (Continuing education to maintain licensing or improve skills, education and training for employees)

Dues to Trade or Professional Organizations

Subscriptions to Publications (Newspapers/Magazines)

Laundry and Cleaning Expenses for Uniforms

Board Meetings

Collection Expenses or Fees

Franchise Fees

Freight or Shipping Costs

Loss Due to Theft

Moving Expenses

Outside Services

Pass-Through 199A Deduction

Research and Development

Royalties

PLANNING OPPORTUNITIES

Personal Accounts

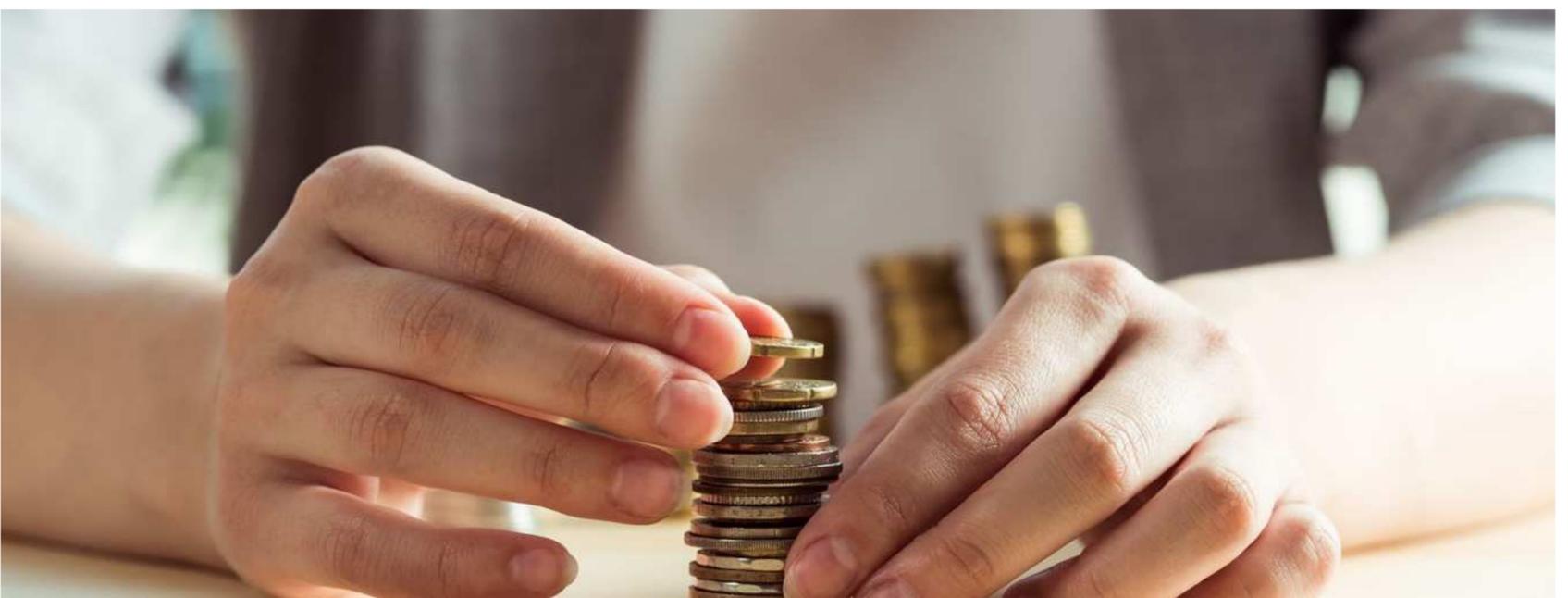
Search through your spending and look for ways to create those additional pre tax tax deductions by finding a business purpose to the spending you may already be doing.

Whenever you are swiping a card at a store, think to yourself: is there a business purpose for this?

Do Not Get Greedy!

With all these items we encourage you to be aggressive and take advantage of the tax savings you can get by maximizing deductions. However, do not cross the line.

Ensure you have proof and can back up the business purpose of the purchases. Keep documentation on file from the beginning so that it is readily available should you ever need it down the road.



You Made It!

Keep this book handy as a guideline as you go about day to day business. Revisit it once a month to remind yourself the opportunities available!

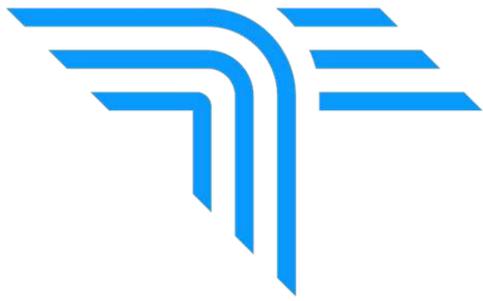
As you know, maximizing deductions is just ONE strategy in our tool chest. Throughout our Tax Minimization Program we go into so many more strategies that you will want to check out and start implementing. Some examples of those strategies are:

ENTITY OPTIONS
CONTRACTOR VS EMPLOYEE
ACCOUNTABLE PLAN
CAPITALIZATION POLICY
HIRING YOUR CHILDREN
14 DAY HOME RENTAL RULE
BOARD MEETING
CREDIT CARD REWARDS
HEALTH STRATEGIES
YEAR-END STRATEGIES
REAL ESTATE STRATEGIES
ADVANCED PLANNING

MULTI COMPANY STRUCTURING
S CORPORATION
REASONABLE SALARY
HOME OFFICE DEDUCTION
AUTOMOBILE EXPENSES
EMPLOYEE ENTERTAINMENT
EQUIPMENT PURCHASES
BUSINESS RETIREMENT OPTIONS
PERSONAL RETIREMENT OPTIONS
TAX CREDITS
COLLEGE SAVINGS
PERSONAL TAX STRATEGIES

AND SO MUCH MORE..





TAXELM

Join Today!

**Tax Savings
Blueprint &
Training Library**



**Unlimited
Access to Tax
Experts**



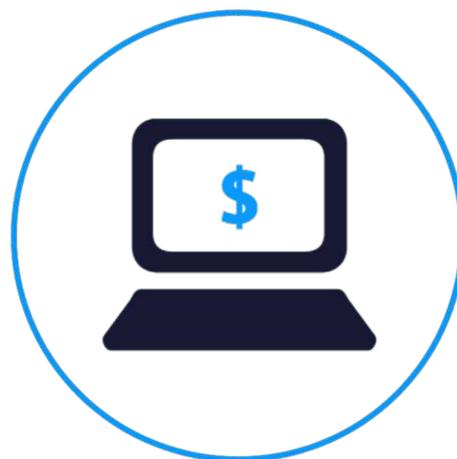
**Annual
Comprehensive
Consultation**



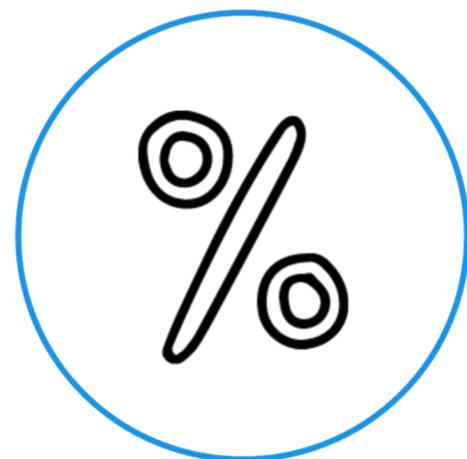
**Annual Tax
Return Review**



**Monthly
Webinars &
Training**



**Partner
Directory and
Discounts**



www.TaxElm.com

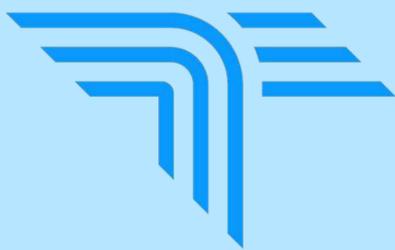
"It's like having a tax strategist in my back pocket everyday, ensuring I pay the least amount in taxes along my entrepreneurial journey."

TaxElm Member

“

My goal is for every business owner to know the strategies that are available to them to ensure that they are paying the least amount in taxes as legally possible, each and every year!

Mike Jesowshek, CPA



TAXELM