

TOP 10 TAX DEDUCTIONS

For small business owners and self-employed people only!

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TOP 10 TAX DEDUCTIONS

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Without a doubt, the most common tax question I'm asked is "What can I deduct?" So I compiled a list of my favorite tax deductions for small business owners and the self-employed.

Here we go:

1. Turn your small business or self-employment activity into an S Corporation.

This is by far the best tax deduction strategy I know for many small business owners. If this shoe fits, put it on and use it all the way to the bank! I have clients who have saved thousands of dollars by just doing this.

2. Pay yourself "reasonable compensation".

If you've already done #1, then make sure you are compensating yourself properly as an employee of your S Corporation. If you pay yourself too little, you'll get in trouble with the IRS. And if you pay yourself too much, you'll end up with a higher tax bill than necessary and miss out on one of the best legal tax reduction strategies on the planet.

3. Make annual contributions to your IRA or retirement plan.

To maximize tax savings now, you should contribute to a traditional IRA rather than a Roth IRA. If you are looking to maximize tax savings later (when you retire), the Roth IRA is the way to go. And if you want to contribute more than the maximum allowed by an IRA (\$5,500 for spring chickens; \$6,500 for older folk age 50 and up), set up a retirement plan for small business owners and the self-employed, such as a SIMPLE Plan.

4. Log your miles.

This is one of the most overlooked tax deductions. Every time you drive your car for business purposes, record the date, business purpose of the trip, and the number of miles driven. How easy is that? And by "every time", I mean just that. Whether it's a drive to the office supply store or an out-of-town seminar, at the end of the year you get

to add up those miles and get a sweet deduction.

5. Take the home office deduction.

If you've got an area in your home that is used regularly and exclusively for your small business, this is a no-brainer. And yes, it does take some number crunching. And yes, the amount of your annual tax savings may be in the hundreds instead of the thousands. But what is so nice about this deduction is that you are converting non-deductible personal expenses into a deductible business expense. How cool is that?

6. Deduct all your medical expenses with a Medical Reimbursement Plan.

Here's a way to treat all your medical expenses as a business deduction, including those not covered by insurance. If you are a sole proprietor and you currently have no employees, you can put your spouse on the payroll and then reimburse him/her for all out-of-pocket medical expenses. End result: your business gets a deduction and the reimbursement is tax-free to your spouse/employee. Other business entities can use this strategy, too, but the specifics vary from entity to entity, so be sure to consult with a tax pro to sort out the best way to do this for your particular situation.

7. Hire your children.

Do your kids do chores around the house? Then they are probably old enough to be a bona fide employee of your business. There are plenty of tasks they can perform for your business, from simple clerical work, to cleaning the office, to maintaining your website. You pay them a fair wage in a true arm's length transaction, and their compensation will probably be low enough that the income is tax-free to them and a legitimate tax deduction for you.

8. Good-bye depreciation. Hello Section 179.

Congress has done well to greatly increase the amount of business equipment you can write off 100% in the year of purchase. Forget those crazy depreciation rules. The Section 179 deduction rocks! At the time of this writing, you can deduct the entire purchase price of up to \$500,000 of most business equipment such as computers, printers and office furniture. Of course, every great deduction has a few tricky rules, so make sure you read the fine print to ensure you qualify for this one.

9. Plan your trips to maximize travel deductions.

If you plan your out-of-town excursions right, you can mix business with pleasure and

still get a deduction for your transportation, lodging and meal expenses. To get the most out of this strategy, the trip must be primarily for business purposes. Be sure to document your time spent on business activities during the trip. For example, on domestic trips, if more than 50% of your days are spent primarily on business, then 100% of your transportation costs are deductible, even though you engage in recreational activities on the trip.

10. Deduct your commuting mileage.

This deduction goes hand in hand with the home office deduction. For this to work, you must also have a second work location outside of your home. Here's the deal: normally, commuting mileage is non-deductible. But mileage between two business locations is deductible. So if you start your day by working in your home office, and then you drive from your home office to your second office or other work location, you've just converted non-deductible commuting miles into bona fide business miles. Sweet!

There you have it! Ten fabulous tax deductions for your small business or self-employment activity.

Got questions? That's understandable!

So, as my way of saying "Thank You" for reading this report, I'd like to offer you a **free 30-minute phone consultation** to answer any questions you may have about my "Top 10 Small Business Tax Deductions" (and/or any other tax question you may have) and a **free review of last year's income tax returns** (personal and business).

On the next page are coupons for you to use! Take advantage of this opportunity to "pick my brain" and have me take a look at last year's tax returns to make sure you are taking advantage of every tax deduction allowed by law.

Many Happy Returns,
Wayne Davies, EA
Tax Reduction Specialist

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This Certificate Entitles Bearer To Submit
One Business and One Personal Income Tax Return
For Review By Wayne Davies

Business Returns: Form 1065, Form 1120, or Form 1120S

Personal Return: Form 1040 -- (including Schedule C and all related forms used by Sole Proprietorship.)

Bearer must submit all relevant forms, schedules and attachments.

Wayne Davies may also request additional supporting documentation used in preparation of the income tax return, such as Forms W-2, Form 1099's, etc.

Both returns must be from the same year. Both returns must have been filed with the IRS.

How to use your Income Tax Return Critique Certificate:

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1. This phone consultation is designed for use in conjunction with the accompanying Income Tax Return Critique Certificate. After signing this certificate, be sure to send this Telephone Consultation Certificate to Wayne along with your income tax returns.
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Signature: _____ Date: _____