

YEAR END TAX TIPS FOR YOUR BUSINESSES

WHAT IS THE VALUE OF YOUR TAX SAVINGS STRATEGY?

- To know the tax savings of any strategy, you will need to know your tax rate. Business by Design can help you properly determine the value of a deduction or tax strategy by preparing a year-end tax review for your situation.
- All of the following suggestions should be discussed with Business by Design to ensure maximum tax value and proper implementation.



A NOTE ON REDUCING YOUR TAXES:

- Anything you can do to lower your profit usually is a good thing when considering tax planning.
- HOWEVER, sometimes a case can be made for keeping your income higher in one year, and postponing deductions to a later year, if you think next year's income would be much higher.
- The only way to properly plan is to have a tax review prepared by Business by Design. We will help you determine the best course of action.

TIP #1: TIMING OF YOUR INCOME:

- You could consider the possibility of having some of your income for 2017 moved to 2018. Consider delaying your billing to have your customers possibly pay you in 2018, not in 2017.
- Income shifting is a quick way to change the profit of your business; however, the assumption for this is based on your tax bracket being the same or lower next year. If that is not the case – you may not want to use this strategy.
- Watch the rule of “Constructive Receipt” – This means that if you have received payments – it is income. Just because you do not deposit a check, does not necessarily make it income next year.



TIP #2: BUSINESS EXPENSES:

- If you need to pay for an expense – consider paying it in 2017, instead of 2018.
- If you purchase something on credit card, the deduction is the date you purchase the item (assuming you take possession of the item), not when the credit card is paid.
- Look for upcoming office expenses, rent payments, insurance premiums, etc to pay in 2017.



TIP #3: SECTION 179 DEPRECIATION – BUSINESS EQUIPMENT:

- Consider the purchase of equipment in 2017. It must be placed in service in 2017. Equipment can be new or used.
- You can use Section 179 Depreciation for up to \$500,000 in equipment purchases for tax year 2017. This includes autos over 6,000 lbs.
- You can use loans or credit cards to purchase equipment. Your deduction is from the date the asset is placed in service, not when it is actually paid for.



TIP #4: BONUS PAYMENTS TO CONTRACTORS AND/OR EMPLOYEES.

- If you are considering any bonus payments to employees or contractors for services performed, consider paying them in 2017 to use as a deduction for 2017.

TIP #5: RETIREMENT ACCOUNT CONTRIBUTIONS.

NOTE: Please review your retirement account options with Business by Design prior to making any final decision.

- Consider maximizing your available retirement contributions.
- **SEP IRA** – Can be opened and funded up to the due date of your corporate tax return. Maximum contribution is 25% of your wages.
- **401K** – Plan needs to be established by 12/31/17 (Safe Harbor plans need to be established by 10/1/17). EMPLOYEE contribution can be up to \$18,000 and needs to be funded by 1/15/18. EMPLOYER contribution maximum contribution is up to 25% of wages and can be funded up to the due date of your business tax return.
- **SIMPLE IRA** – Plan needs to be established by 10/1/17. EMPLOYEE contribution can be up to \$12,000 and needs to be funded by 1/15/18. EMPLOYER contribution is a required 3% of wages and can be funded up to the due date of your business tax return.



TIP #6: PAYMENTS TO YOUR FAMILY.

- A great way to shift income from your tax bracket is to pay your children for services performed.
- Each individual can earn up to \$6,350 and pay no income tax.
- Use the money you pay your kids to fund a ROTH IRA. ROTH IRA's grow tax free and can be used for college education costs.
- Please discuss this with Business by Design and we will be able to assist you in implementing this process.

