

Small Business Tax Reduction Expert

(who shares his tricks of the trade with you)

Small business owners can end up paying the highest federal taxes, without excellent advice and good planning. From federal income taxes, to self-employment taxes, to state taxes, the owners of small businesses often get nailed hard, but this does not need to be the case with good tax planning! Not only does wise small business tax advice make a humungous advantage, but good tax planning is invaluable.

Excellent advice and good planning can help you in every aspect of your life, but is especially critical in helping your small business get out of the vicious cycle of taxes the federal government plays on you. First, you have your estimated tax payments due every quarter. Next, if you have employees, you have payroll taxes possibly due every pay period in the \$\$thousands\$\$! Next, you have those ugly and unfair excise taxes, possibly hitting you from both the state and federal governments! Next, you get to experience sales and use taxes in some cases. After that, you get those ugly end-of-the-quarter Unemployment and Workers Compensation taxes. If that were not enough, you could be subject to the federal version of Unemployment tax as well. I wish I could say “finally” here, but NEXT, you are often paying in the State Income taxes and/or State Sales taxes! Oh, and don’t forget many industries that are subject to unique federal excise taxes. Maybe we can say “finally”....finally, you are privileged to be a part of as much as ELEVEN other kinds of taxes on your personal tax return based upon how much income and the diversity of income you have on your tax return. WOW! And I’m not sure if I got them all! So, who could use just a little free advice in this “bountiful” area of tax law and tax planning? Every small business owner, no matter the size, should round up as much advice, education, tricks and loopholes in their arsenal as possible to fight these taxes! Oh, did I mention tax penalties.....don’t worry, I’ll address those below as well.

How do you plan for taxes.....get money in the bank, right? Yes and no. Yes, pay them timely, but no don’t just plan to pay every tax that falls in your lap as if it’s the only option, as you DO have options! Take one of the biggest taxes there is, Self-Employment tax (I hear the song in the movie Jaws and him coming towards the boat to the helpless, unaware and unprepared boaters!). Very few small businesses know, in their first few months or as much as a year into operating their business, that they’re going to get nailed with this enormous, high, unfair tax bill! But, without good tax advice, what do we all do, we pay it. Jake Hanes, CPA and the owner of Action Tax, LLC in Auburn, Washington, and the preparer of thousands of small business tax returns, will steer you differently! Not tax avoidance (IRS knows it as tax evasion), just good tax planning and expert advice you need to hear and follow! He’ll even go so far as to say, “If you make more than \$11,000 in profit (after every write-off possible of course (see below for some of those write-offs)) you need to restructure your business to stop paying self-employment tax, period! End of story!” Check out his website at www.actiontaxteam.com for more details on this, and to set up a consultation with him, absolutely free of charge! This one action could save you as much as 15.3% on your tax

bill right now, not to mention other tips he gives away (see below) for the many other tax situations you may find yourself in.

MORE ON TAX PLANNING

Get advice on what you can write off. Here are some examples that Jake, the CPA in Auburn, Washington and long time owner of two successful full charge accounting and tax practices, gives to his clients:

- 1) Auto expense on a small business – three options to consider: the car and costs of owning it, the business use of it, the mileage vs actual expenses.
- 2) Rent or Home Office – considerations to take: collapsing your rental expense period, business vs. personal use and partial business use, taking every aspect of home office use deduction.
- 3) Meals, Entertainment and Travel – deductibility: how to classify these expenses, when and why deductible, record keeping, reimbursable expenses.
- 4) Depreciation of assets – timing: when and what to buy, what is and is not deductible on your business tax return, how to deduct on tax return, when to deduct on your tax return.
- 5) End of year, last minute strategies – tax strategizing: what you might finance or buy, when to pay your bills, what method of accounting to use on your tax return, prepayments.

Every situation is unique, but these are areas with some leverage to minimize taxes.

Timing is extremely important, extremely! Your tax preparer should be talking you through every timing decision they make on your return! They should be deciding with you, educating you as you walk through the line items on your return. Where with a W2 its pretty cut and dry on preparing your return, on a business return (whether small or big business) very little is cut and dry! Timing on purchases and cash flow considerations at the year-end are also critical. Jake, the CPA for Action Tax, LLC, provides a completely free consultation once each year to his business clients to decide on these most critical of situations, and many of his clients take full advantage of this valuable planning session!

ONE THING YOU DON'T WANT TO FORGET

He walked into my office on April 14th at 6pm, just over 24 hours before he'd have to pay what he thought would be \$15,574 in taxes (from another not to be named tax preparation company). Tired, angry, and “a desperate man at the end of his rope (or tiny string as he put it), Corrin showed me his taxes, having received a referral from one of my clients to come see me before he filed his return. In about.....2 minutes or so....I told him not to worry, he would not owe what was proposed. He owed capital gains, self-employment, federal income taxes and sizable penalties for not making estimated tax payments. First, we fixed a blaring error made by the prior tax preparer. Next, I explained to him how he could get rid of self-employment tax forever, which he immediately signed to documents to do. Then I asked him for his financial statements. “I don't have any records,” he said.

“I just gave her the numbers and receipts and she did her “magic,” he stated with a bit of disdain. So what did Action Tax do? We filed an extension, restructured the business, and completed all of his financial reporting (wherein he found another \$8,900 in expenses! Then, when we filed his return, take a guess at where he stood.....stay tuned.

Action Tax, LLC wants you to have excellent records. What does this mean, you ask? It means that when you are three more years into business and you're up 180% in revenues over that year, you can compare how much you have grown and be proud of it! It means you are audit proof and untouchable by the IRS or any other taxing authority because you have all your records fully and accurately reported. It means monthly documenting business activity so you can make accurate, timely decisions that make all the difference in staying competitive, in business and current on all obligations. It means peace of mind. It means surrounding yourself with help in making the best possible decisions regarding business cash flow and other strategic decisions that make all the difference in succeeding unlike 85% of all small businesses. Let us help you in helping yourself, your family and your employees, and all other stakeholders in your business (your customers, vendors, shareholders, banks, etc) be a success in business.

PENALTIES WITH THE IRS

Ever received a “nastygram” from the IRS? Why is it that businesses will share the cost on the last page of their advertising, but the IRS puts it right there in the front, right in the header even? They love to rub it in from moment one. Even seeing the letter in your mail produces shock, panic attacks possibly!

Some tips:

- 1) Don't just pay it off, no review and no questions asked!
- 2) Don't respond to the letter or call them without knowing exactly what you are doing. Do you think IRS agents work in your best interest? Representation is INVALUABLE!
- 3) Don't just assume, even if you end up owing the taxes, that you also owe the Penalties! Please, get advice on this one.
- 4) Don't accept the answers of just any “tax preparer” you know! How many times do you want to guess new clients have come to me having received the wrong advice from another tax preparer? Guess again, you're too low!

Are you under audit, or do you owe more than \$20,000 to the IRS? Do you have unfiled returns with the IRS? Know this, you do not need to go all the way to Southern California to get representation that will help you! Jake Hanes, CPA and owner of Action Tax, LLC represents hundreds of clients before the IRS, and is constantly helping people resolve IRS tax issues and abate (cancel) IRS penalties! This alone can sometimes pay his fees ten (10) times over! Jake's biggest cancelation of debt ever was for a smaller Chiropractic office who initially owed \$202,540 to the IRS! Five years of “a real mess of tax work” landed the Chiropractor in a meeting with Jake. After just two weeks, the only thing the great businessman and long time owner of the Chiropractic

practice owed was \$6,334 in penalty free taxes for the current year! “Yes, miracles do happen” are the words from his new friend forever!

Penalties can be abated. Penalties can easily be lowered, dramatically! A waiver of penalties can be the difference between staying in business or not, the difference between losing a house and filing bankruptcy! Don't move forward with the ruthless and “unbending” IRS without a representative to be a liaison between you and them. Get Jake as your Liaison, a person who knows the law, knows the loopholes, knows hundreds of ways to improve and possibly completely abate your IRS problems. Contact Jake directly at his office at (253) 288-8829 if you're in such a predicament. Nobody should spend nights without sleep concerned to death how they will defend or fight against the IRS. Literally hundreds of now faithful clients of Action Tax were once in quicksand up to their eyeballs! Now, they're soaking in the warm sun, in the most comfortable of lawn chairs, under a thin umbrella, holding a sweet drink, listening to the birds and the waves of the warm sea waters, giving a generous tip to the wonderful waitress providing personal service! (Okay, you get the point, right).

TAX CREDITS YOU MAY BE ELIGIBLE FOR

What's the quickest way to the biggest refund? No, not credits, but good advice! It's from a combination of numerous deductions on your business and personal return, appropriate reporting for your unique situation, preparing the right kinds of forms, taking advantage of excellent loopholes, and then, also, the infamous IRS Tax Credits. Yes, they are great.....but why would you pay \$6000 in taxes to get a \$4000 credit to offset that bill? The moral of the story....taxes are not in the quick fix category!

In business coaching, Jake Hanes, the owner of Action Tax, LLC in Auburn, Washington, learned early on from his business coach, Kevin Weir of ActionCoach, that surrounding himself with experts and leaders in every area of his business would provide the foundation to becoming highly successful, profitable, even happy in business and life. Don't take on taxes by yourself, but surround yourself with a CPA firm that focuses on small businesses, an expert and your advocate in creating your business as a highly successful company providing you with dividends and peace of mind!

Tax Credits are like dividends and peace of mind. After all the expert advice, business and tax planning, and even hard work, the credits the IRS offers see you into a world of more money and freedom! Here are some of the tax credits common to many clients Jake Hanes, CPA uses for his clients (and you'd be amazed who qualifies!):

- 1) Earned Income Credit
- 2) Child Tax Credit
- 3) Making Work Pay Credit
- 4) Energy Savings Credit
- 5) Fuel Credit(s)
- 6) Small Business Tax Credit
- 7) Education Credit

That's just to name a few. Remember, the income reported on a tax return is rarely the cash flow you receive when owning a small business....what may appear (above) as credits for "poor" individuals are not necessarily the situation for small business owners! Tax planning and an expert small business CPA makes all the difference!

CORRIN WON THE GAME

Remember our friend Corrin? He didn't know whether to trust me or not when he came on April 14th in a last act of desperation, so he made a tax deposit on April 15th (late I might add if he would have owed) of all the spare money he could round up....\$1900. We went to work for him – did his bookkeeping, restructured his business entity, and finally filed his returns. Corrin now had good records. He had a completely accurate return containing \$8,900 more in expenses, along with a huge tax credit (the big change to his original unfiled return overlooked by the inexperienced prior accountant). Furthermore, we amended his state tax return, which gave him \$2,877 in cash (as a complete bonus!). But, what was the outcome of his personal and business tax return, you would like to know? Well, after all of the changes were completed, Corrin came away with a refund of \$3839! The \$1900 he paid in was fully applied to the following year, and he received a check for \$1939 from the IRS a few weeks after completing his return. Yes, it's a true story and it happens several times every tax season as more small business meet with Action Tax, LLC and Jake Hanes, CPA.

The team at Action Tax and Jake Hanes would love to meet you personally. Call and schedule an appointment with our office. Also, check out our website at www.actiontaxteam.com for more details. We will make the time to understand your unique business tax situation, as well as complex personal taxes. Our office focuses on helping businesses succeed and grow, and we'd love to be a part of your success. Call us at (253) 288-8829 to schedule today.

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