How To Save Thousands By Owning A Small Business: 9 Little-Known Legal Loopholes That Will Reduce Your Taxes (For Small Business Owners Only)

Dear Small Business Owner:

Thank you for requesting your free copy of this Special Report. You now hold in your hands valuable information that can save you literally thousands of dollars each year!

The purpose of this Report is to help you make sense of one of modern civilization's most complicated and mind-boggling documents -- the U.S. Internal Revenue Code (a.k.a. "The Tax Code").

Just how complicated is The Tax Code? Consider this: Way back in 1913, when federal income taxes first began, the entire Tax Code occupied a mere half-inch thick book. The first federal income tax return was a simple two-page form with four pages of instructions.

Now what do we have? -- a literal monster! Today the Tax Code takes two four-inch thick volumes to print, along with well over a million lines of "regulations" that officially explain and interpret what the Code means. Then when you add all the relevant tax-related Court decisions that apply the Code -- well, now we're talking about 25 feet of library shelves! (Thank God for CD-ROM technology -- all these books can now fit on a single disk!)

With all these tax regulations, what's the average taxpayer to do? I realize just how intimidating the Tax Code can be to the small business owner like yourself. That's why I wrote this Special Report -- to help people like you discover the best ways to legally lower your tax bill.

So I've tried to focus on just a few of the most beneficial Tax Code rules for small business owners. Implementing just one of these strategies could save you a bundle. But I realize that you are a business owner, not a "tax guru." You want to know how to reduce you taxes, easily and legally.

Go ahead and dive head-first into my Special Report and let me know what you think about it. (I really like it when readers send me their questions and comments!)

Sincerely,

Howard T. Kaufman

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LEGAL LOOPHOLE #1:
Avoid Double Taxation Of Profits By Forming An "S" Corporation

Whether you like it or not, one of the most critical tax-related business decisions you face is this: What type of legal entity is your business? What do I mean by "legal entity"? Simply put, is your business a:

1. Corporation
2. Partnership
3. Limited Liability Company (LLC)
4. Sole Proprietorship

I'm sorry to jump right into a "technical" topic, but this is really important! The tax code does not treat these different types of legal entities equally! From a tax standpoint, there are pros and cons to each type of business form -- and what type of legal entity you own will have a significant impact on the amount of taxes you pay.

If you are not sure what type of legal entity your business is, find out --- soon!

If you know you are a corporation, now the next question is: Are you a "C" Corporation or are you an "S" Corporation? This is also an incredibly important question that you simply must know the answer to.

If you are a "C" Corporation, give serious consideration to becoming an "S" Corporation. Why? Because of something known as "Double Taxation of Corporate Profits." The "C" corporation pays tax on its profits. Then, when those profits are paid out to the shareholders, the shareholders are taxed on those profits a second time!

To legally avoid this, the Tax Code allows a corporation to choose a different arrangement. This different "arrangement" simply means telling the IRS that you want to be treated as an "S" Corporation. The "S" Corp does not pay income tax on its profit. Instead, the profits are reported on each shareholder's personal tax return and only taxed once. For small corporation owners, this is a great way to legally reduce your taxes.

If your small business is a Sole Proprietorship or Partnership, I suggest you seriously think about forming a Corporation -- there are advantages to this from a liability standpoint. And should you form a Corporation, give serious consideration to becoming an "S" Corporation -- this strategy alone could save you thousands of dollars!

LEGAL LOOPHOLE #2:
Reduce Payroll Taxes By Paying Shareholder-Employees "Reasonable Compensation"

Another advantage to "S" Corporation status is the possibility of paying less payroll taxes. If you are a "C" Corporation, Sole Proprietorship, or Partnership, this is another reason to become an "S" Corporation. Here's why:

If you own a Corporation and provide services to the Corporation, you must pay yourself "reasonable compensation" (wages or salary) as an employee of the Corporation, based on the Fair Market Value (FMV) of your services. If you simply pay yourself based on how much profit the business made, you may be over-paying yourself. And since you have to pay payroll taxes of about 15% on your wages, you may be paying more payroll tax than necessary.

With an "S" Corporation, you can pay yourself FMV for your services, and any remaining profit can be paid out as a "dividend" which is not subject to payroll tax.

Compare this "S" Corporation approach to that of the Sole Proprietorship or Partnership. The Sole Proprietor or Partner also pays payroll tax of about 15% via the "Self-Employment Tax". This Self-Employment Tax is paid on your business profits regardless of the FMV of your services. By incorporating your business and forming an "S" Corporation, you can pay yourself wages as an employee and realize big savings in payroll taxes.

LEGAL LOOPHOLE #3:
Save Personal Income Taxes By Deducting Business Losses

Owning a small business is not easy, as you well know. Making a profit is a challenge, and many small businesses never make a profit, failing within a short period of time and disappearing into the sunset. Other businesses may start out losing money, but only temporarily.

If your business is an "S" Corporation, Partnership, LLC, or Sole Proprietorship, you can usually deduct any losses immediately on your personal income tax return, offsetting other sources of income. So be sure to take advantage of any business losses and receive some tax benefit from them!

With a "C" Corporation, you may not get to deduct those losses right away; you may have to "carry forward" any losses to the first year you have a profit. This can be another disadvantage of the "C" Corporation when compared to the other types of business entities.

LEGAL LOOPHOLE #4:
Reduce Taxes By Establishing A Tax-Deductible Small Business Retirement Plan

Small business owners have been given a great opportunity to save taxes and save for retirement by implementing a retirement plan known as a "SIMPLE Plan." Compared to the other, more sophisticated business retirement plans available, the SIMPLE Plan is really "simple" -- simple to start, simple to maintain, simple to understand.

Each employee can contribute up to $10,000 per year to the SIMPLE Plan, and the employer is required to make a small contribution to each employee's SIMPLE Plan account. For purposes of the SIMPLE Plan, an "employee" includes the owner of a Sole Proprietorship, the partners in a Partnership, the members of an LLC, as well as the shareholder-employees of a Corporation.

LEGAL LOOPHOLE #5:
Deduct 100% Of Your Medical Expenses By Establishing A Medical Reimbursement Plan

Most taxpayers are unable to deduct out-of-pocket medical expenses on their personal tax return. But if you own a business, you can legally deduct these same medical expenses by implementing a "Medical Reimbursement Plan" (MRP). You or another family member who is compensated as an employee of the business submits medical expense receipts to the business, and then the business reimburses you. This strategy legally turns previously non-deductible expenses into a legitimate business expense.

Starting a MRP takes careful planning and strict adherence to several critical rules and regulations. In other words, to make this work, it must be done "right." But the time spent setting up the MRP can be well worth it, saving you literally hundreds or even thousands of dollars each year.

LEGAL LOOPHOLE #6:
"All In The Family" -- Save Income Taxes By Hiring Your Children

This is another perfectly legal strategy that if done "right" can save you a bundle. If you have children who are old enough to do "real work" for you business, then put them to work! Of course, this must be bona fide employee work, and you must pay them Fair Market Value for their services. The end result -- the business gets a deduction, the compensation "stays in the family", and since each child can receive a certain amount of wage income each year tax-free, you will end of saving some serious bucks!

LEGAL LOOPHOLE #7: Don't Depreciate It -- Deduct It!

This is another "technical" area that I really don't want to bore you with -- Depreciation. When you buy something for your business that will probably last longer than a year, what the Tax Code calls a "fixed assets" (like a computer or other office equipment), then you usually have to deduct the cost over several years rather than all at once. But there is an exception to this rule, known as the Section 179 deduction, which allows you to deduct 100% of the fixed asset cost in the year of purchase.

Of course, like any exception to a rule, there are certain limitations and restrictions that must be followed. But the tax benefit of Section 179 can be great -- why deduct an expense over 5 or 7 years when you can deduct it now!

LEGAL LOOPHOLE #8: Deduct "Vacation" Costs As A Business Expense

Please note that the word "vacation" is in quotation marks! In other words, you cannot *really* deduct vacation costs as a business expense, but you can deduct travel expenses for a business trip -- even when you add on a couple days "vacation" to the end of the business trip.

With a little planning, this can be a great way to enjoy a few days of relaxation and realize significant tax savings at the same time!

LEGAL LOOPHOLE #9: How To Turn Taxable Income Into Tax-Free Income!

Yes, there is a perfectly legal way to turn taxable income into tax-free income. This is not a cruel joke or a sophisticated tax-avoidance scheme. Simply put, the best way to receive tax-free income is to start a Roth IRA. The Roth IRA is quite different from the old, "regular", Traditional IRA that's been around for over 20 years. Assuming you invest $2,000/year into a Roth IRA for 20 years, and assuming that investment averages 10% return per year, you will save over $16,000 in taxes during retirement -- and that is assuming you are in the 15% federal tax bracket.

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My tax services are backed with a double, "no-risk", money-back guarantee. Here is how it works:

GUARANTEE #1: GUARANTEED ACCURACY OR YOU DON'T PAY!

Your tax return is guaranteed to be error-free, or your money back. This simply means that if I make a mistake on your return that causes additional taxes owed, you don't pay me a dime. I'm promising to do your return perfectly; otherwise you don't have to pay for it. The tax returns I prepare are guaranteed to be completely accurate -- **This is my "COMPLETE PEACE-OF-MIND" promise to you!**

If I make a mistake that causes additional taxes owed, I will refund 100% of my tax preparation fees. In addition, I will reimburse you for all penalties and interest related to the error. If I do make a mistake that causes additional taxes owed, I am only responsible for the original penalties and interest on the *first* IRS or state correspondence.

> **Example: I prepare your return. You earned $1,000 in investment income (interest & dividends), but I incorrectly report only $100 of investment income (oops!). So you do not pay enough taxes: On the federal return you underpay taxes by $252, and on the state return, you underpay by $40. A few months later, you get one of those "love letters" from the IRS telling you that you owe another $252, plus penalty and interest for late payment. Here's what happens: First, I will refund 100% of my fees to prepare the return. Second, I will also reimburse you for all penalties and interest you have to pay the government. (You do have to pay the additional taxes due, however, because this is how much tax you would have paid even if I did the return right the first time.) The end result: You don't pay me a dime. And you don't pay any more to the government than you would have paid had I prepared the return correctly.**

GUARANTEE #2: GUARANTEED SATISFACTION OR YOU DON'T PAY!

If for any reason you are not totally satisfied with my tax services, you don't pay! *Total client satisfaction guaranteed or your money back -- it's that simple.* If any thing I do is less than you expect from a tax professional, just let me know and I'll send you a complete refund.

I am committed to providing the best tax preparation service that money can buy. If I fall short of that standard, I expect you to let me know, and you will not have to pay my invoice.

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(See full guarantee "in writing" on back of this page.)

☐ YES! Howard Kaufman, please contact me to schedule my free, one-hour, no-obligation, initial consultation to discuss my business tax situation. I understand that there will be no charge for this first meeting, nor am I under any obligation to utilize your tax services as a result of this meeting.

☐ YES! Howard Kaufman, I am responding by the date stamped below, so I am entitled to the following Free gifts: Two (2) Income tax Return Critique Certificates.

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