

How to Save Money on Your Small Business Taxes

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([Newswire.net](#) -- January 3, 2019) -- The year is ending, and this can only mean one thing – no, not the holiday parties, rather [tax season](#) is just around the corner. If you listen closely you can hear the collective gasp from small business owners around the country.

There are a few reasons for this. First, the changes in tax law will take full effect this year and that means that for many the playing field has shifted. Second many business owners are not prepared to file their taxes.

Finally, for those who owe, then there is the fear of how much they will need to pay this April. It doesn't need to be this way and here are some tips on how to save money on your small business taxes.

Why You are Probably Paying Too Much and What You Can Do About It

Everyone loves to complain about their tax bill and this makes sense after all our country was founded by people who opposed what they saw as unfair taxation. However, the real reason why your tax bill is too high is that you are not taking full advantage of the deductions available to your business.

Given that the tax law in the U.S. is about 70,000 pages (not including state and local tax law) this makes a lot of sense. However, you are leaving money on the table this is one of the big reasons why you feel like you are paying too much every year.

How can you fix this? It starts by looking into [bookkeeping services for small businesses](#) as this will help you to get your books in order. This will give you a starting point to then sit down with an accountant or a tax advisor to review your current situation and then come up for a plan to minimize your tax bill.

While it might be a bit late in the game to cut your April 2019 tax bill, there is no time like the present when it comes to tax planning. At a minimum making the move now will help you to position your small business to save on [your taxes](#) going forward and this should mean that you will end up with more money in your pocket.

In terms of the specific things to look out for, depreciation is one of the keys – especially this year as the new law greatly expanded a business owners' ability to claim accelerated depreciation. Other items that you want to properly deduct include vehicle expenses, home office expenses, and any losses from prior year's returns. The latter can be used to offset profits in the current year and this will reduce your tax bill.

Also, keep an eye on your insurance bill as the [IRS will allow you to deduct](#) payments made for liability insurance, workmen's compensation insurance, commercial auto insurance, and finally business interruption insurance.

Know Your Adjusted Gross Income

Not to go into a graduate study of tax accounting but having a handle on what your [Adjusted Gross Income \(AGI\)](#) as many tax breaks use this as the starting point. For example, if you are angling for a reduction in self-employment Medicare tax, then you will need to make sure that your AGI is not higher than \$200,000 for single filers and \$250,000 for joint filers.

Yes, we are getting into the weeds, but the savings can be quite significant. The trick is to make sure that your AGI is

within the guidelines as set out for the IRS. One thing you can do is work with your bookkeeper or accountant to review this metric on a quarterly basis and from there determine which deductions are the best fit for yourself and your business.

Get Accountable

This comes into play if you are using reimbursements to pay employees for business-related expenses such as entertainment, travel, and supplies. By using an accountable plan, you can deduct these expenses without needing to report the payments as income to employees.

This will save you employer-related taxes (i.e. Social Security, Medicare, and [FICA](#)) and could even lower your overall taxable income. By the way, using accountable plans will also lower your employee's taxable income – as such, it is a win for everyone.

Tax-Free Ways to Get Money Out of Your Business

These are not get-rich-quick schemes. Instead, these are legitimate ways to get money out of your business without being taxed. These include having the business pay for your medical insurance, setting up a 401K plan, and loans from the business to you at a low-interest rate. With the last option, you will need to make sure the interest rate confirms with the Applicable Federal Rates to ensure you don't run into trouble.

In addition, you might want to change your [LLC to be taxed as an S Corporation](#) . Doing so will allow you to take money out of your business without needing to pay employment taxes. Another benefit is that you won't need to list all the business income on your personal tax return and this will save you even more money.

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