



Guide to Year End Tax Planning For Businesses

Here are some ideas to help you reduce your taxes for 2022 and beyond.

The first step in tax planning is knowing where you stand, so now is the time to start getting your records in order and your bookkeeping up to date, The most effective tax planning strategies require you to take action before year end, some strategies even require that action is taken through out the year.

Planning Considerations	Notes
<input type="checkbox"/> Business Entity Selection. Choosing the right entity can result in substantial tax and other savings. The choices include; Sole Proprietorships, Corporations, S Corporations, Partnerships and LLCs. Each entity has it's own advantages and disadvantages as well as it's own liability protection status. Business growth, changes in ownership and increases in liability exposure may all be reasons to revisit your business entity choice.	
<input type="checkbox"/> Officers / Owners Compensation. Corporation and S Corporation officers by definition of law are employees of the corporations and must receive a reasonable salary as employee compensation with all payroll taxes properly withheld and payroll tax returns filed. Partners and Sole Proprietors are not considered employees and withdraw capital or profits, they should not be included on payroll and are responsible for their own taxes. Have you properly treated officer / owner compensation? If not this should be corrected before year end.	
<input type="checkbox"/> Qualified Business Income Deductions. Owners of passthrough entities such as S Corporation, Partnerships and Sole Proprietorships are permitted a tax deduction equal to the lesser of 20% of their net Qualified Business Income or 20% of their total taxable income. S Corporations must have reasonable officers payroll to take advantage of this deductions. Properly balancing the amount of payroll to maximize the net business income qualifying can have a substantial impact on your tax liability. This deduction can be limited for certain trades and business owners with taxable income in excess of \$326,600 for married taxpayers filing a joint return and in excess of \$163,300 for other filing statuses.	
<input type="checkbox"/> Health Insurance Costs. The health insurance costs for business owners are deductible on their personal tax return not the business tax return. The only exception to the is that Corporations may deduct health insurance costs of owners along with those of other employees. The cost of medical insurance for S Corporate shareholders must be included in compensation on the shareholders W2 and the W2 must be properly marked to show the health insurance portion.	
<input type="checkbox"/> Business Meals. Qualifying restaurant meals are 100% deductible for 2022. To qualify the meal must be provided by a restaurant and consumed by employees away from home overnight for work or in conjunction with a business meeting at which business is discussed before during or after the meal. To support the deduction of business meals the business must maintain records of; who, what, when and where along with proof of the cost of the meal.	



<input type="checkbox"/>	<p>Inventory. Business that sell products and maintain an inventory of goods to sell need to account for inventory on hand at cost for year end. Since inventory on hand, the cost of inventory held for sales is not deductible until the inventory has been sold or disposed of. Reducing inventory through sales, donation or disposal of unsaleable inventory makes the cost part of your costs of goods and can decrease taxable profits.</p>	
<input type="checkbox"/>	<p>Hire Your Children or Grandchildren. Putting your children or grandchildren on the payroll not only shifts income from your tax return to theirs it also teaches financial responsibility. But remember the children or grandchildren need to provide real services to your business and must be compensated at the market rate. Young children can handle taking out the trash, putting inventory away, and stuffing envelopes. Older children can manage web pages and social media, to name just a few things. <i>The first \$12,950 of earned income for a child is not subject to income tax.</i></p>	
<input type="checkbox"/>	<p>Computers, Equipment, Furniture and Other Depreciable Assets. Purchased prior to year end can be depreciated and or expensed using section 179 a business can expenses up to \$1,080,000 in new depreciable assets for 2022, subject to net income limitations.</p>	
<input type="checkbox"/>	<p>Retirement Plans. Fully fund qualified retirement plans. If your business does not have a plan start one there are lots of choices businesses can make including; SIMPLE, SEP, 401(k) and pension profit sharing plan. Note: Money in a qualified retirement plan is generally subject to early distribution penalties if withdrawn before 59.5 years of age. Hint: Most plans must be coordinated with payroll so be sure to discuss this with your tax advisor.</p>	
<input type="checkbox"/>	<p>Delay Receipt of Income. Cash basis taxpayers report and pay tax on income on a received basis so delaying the receipt of income until after the end of the year delays paying tax on that income for a year. Income can be delayed by holding off on billing customers, extending the payment terms on sales made in December and by not being around to receive payment, which is why many professional and service business take off the week between Christmas and New Years. If your business is closed you can't receive those payment until you reopen.</p>	
<input type="checkbox"/>	<p>Accelerate Expenses. Cash basis taxpayers can deduct for payment made including prepaid expenses like advance rents, telephone and utilities expenses. You can also deduct prepaid insurance expenses and the purchases of supplies held for use by your business. Accelerating expenses increases costs and reduces current year profits thereby reducing current year taxes.</p>	
<input type="checkbox"/>	<p>Auto Reimbursements. Business use of personally owned auto should be reimbursed by the business to the autos owner at the standard mileage rate of 58.5¢ for miles driven January 1, 2022 through June 30, 2022. The 62.5¢ for miles driven on or after July 1, 2022. This mileage reimbursement is deductible to the business and tax free to the person being reimbursed.</p>	

