



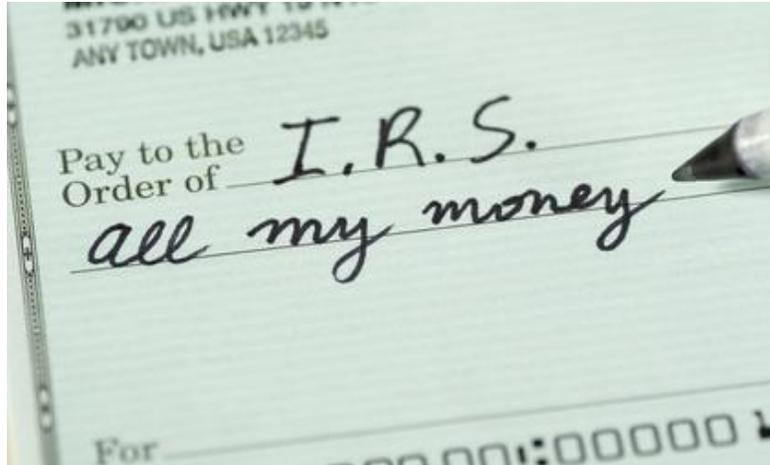
# SSBM Consulting

Taking the Anxiety Out of Taxes

[WWW.SSBMCONSULTING.COM](http://WWW.SSBMCONSULTING.COM)

Small businesses over pay their taxes by billions! There are 3 primary reasons why:

- Lack of knowledge and guidance.
- Procrastination or accountability.
- Fear of the IRS.



Believe it or not, the new tax laws are highly in favor for business owners and real estate owners. Congress created these new laws in order to create more jobs, because small businesses make up 99% of Houston's businesses. Now, the issue is knowing how to access the information needed to take advantage of ALL the benefits of being a small business through Tax planning. The most expensive mistake you can make is failing to plan.

Here are a few tax planning tips to consider.

1. Is your business properly structured? This is HUGE!! 1099 employee, LLC, S corporation, C corporation, which should you choose? Are you the right entity? Find a tax professional and find out which structure best for you.

## MAKE SURE TO FORM THE CORRECT KIND OF ENTITY

the two most commonly formed entities are S Corporations and limited liability companies

### LIMITED LIABILITY COMPANY

A Limited Liability Company (or LLC) doesn't actually pay taxes at the company level - all the income, expenses, deductions, credits and other tax items are reported on the member's tax return on Schedule C subject to self-employment taxes. An exception to this rule applies if the LLC elects to be taxed as a corporation.

### S CORPORATION

An S Corporation is taxed where all items of corporate-level income and expenses flow-through to the shareholders. S corporation shareholders are required to be paid reasonable compensation for services performed for the company. S corporation shareholders do not pay self-employment tax on either their wages for services or their share of the S corporation income.

### OVERVIEW

An LLC is a state-level entity that is not considered a separate tax entity for federal tax purposes. All LLCs are classified as a corporation, partnership or sole proprietorship.

An S Corporation is a federal entity that elects to pass corporate income, losses, deductions and credits through to their shareholders for federal tax purposes.

### TAX FILING

The owner of a single member LLC doesn't have to file a separate tax return for the LLC, as they only report the activity on their personal tax return. Items of income and expenses are reported on Schedule C (Form 1040).

The company files its own return on Form 1120S and passes the income, expenses, deductions and credits to the shareholders on Schedule K-1 (Form 1120S). S corporation shareholders are subject to the passive activity loss rules and the at-risk limitations.

### TAX LIABILITY

As a member of an LLC, you can't be personally liable for more than what you invested into the company. As an LLC member, your personal assets are separate from your business, and can't be targeted by creditors of your business. LLC Members are not necessarily shielded from liability for wrongful acts, including those of their employees.

The company pays its employees and shareholders (even if it's just you) a salary (tied to industry norms). It also withholds federal taxes and FICA and pays unemployment taxes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income at the entity level.

### REQUIREMENTS

Most LLC forms are only a single page for single member LLCs, varying by state.

S Corps face stricter guidelines. To qualify for S Corporation status, the corporation must meet a variety of requirements. If you do not follow all the requirements at all times, the company's status could be revoked and it will be taxed as a regular corporation.

### COST

The cost of setting up an LLC can be inexpensive, usually just a couple hundred dollars, depending on the state where the LLC is formed.

It costs more to form an S Corp, and there can be additional state taxes involved.

2. Got kids? Hire them if they're at least 7 years old! In exchange for their work (yes, emptying the trash cans and licking envelopes counts) each child can earn up to \$12,000 per year depending on how you hire and pay them. Consider it college funding! But make sure you

Substantiate

- Job description (W4 or W9 form)
- Timesheet
- Check
- Account in child's name



3. Are you fully deducting equipment/furniture and/or vehicles in your business?



4. Have medical expenses related to physical, psychological, and emotional disorders? You can deduct them! You may also deduct high family medical expenses.



5. Own or buy real estate in poor condition? Make it your primary residence in between the time you buy, fix, and flip it and you can avoid taxes on capital gains of up to \$250,000 on a primary residence (\$500,000 for married couples.)



6. Learn how to potentially deduct any vacation anywhere in the world by combining the trip with business



Planning is a **MUST** if you want to be successful! But you must be **PROACTIVE!** Staying connected with a Tax professional at least 2 times a year or quarterly for a Tax planning session will help you save thousands and ensure you are taking advantage of all the legitimate deductions, credits, loopholes, and strategies.

If you are serious about savings money on your taxes, Visit our website today at [WWW.SSBMCONSULTING.COM](http://WWW.SSBMCONSULTING.COM) to schedule a free 15 minute call. Let us get started on restructuring your financial future call us today at **855-731-1721** or email us at [info@sbmconsulting.com](mailto:info@sbmconsulting.com).

