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2024 Money Saving Tips & Tricks

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WELCOME

We have put together this e-book intended to help you maximize savings within your business and hopefully utilize those savings to put towards the growth of your business.

As you walk through each tip and trick, take a minute to reflect on whether or not this could help benefit your business in the current year or future years to come.

For example, if you currently own a business with no employees, but are planning to enhance your business and high new employees starting in a year from now, you may want to consider implementing key strategies to help set you up for future growth and success.

Of course, if you have any questions as you navigate through this e-book, please do not hesitate to reach out to us at contact@mycpapro.com or give us a call at [949-208-9087](tel:949-208-9087).

We look forward to hearing from you and see how these tips help save you money now and in the future!

Sincerely,

Laura Dohanes,
CPA EA MBA
CFO & Tax Strategist
MyCpaPro™

ABOUT US

We are a full-service Virtual CPA firm licensed in CA. We offer a broad range of services for business owners, executives, and independent professionals. We are committed to reducing your taxes while building wealth!

Laura is the founder of My CPA Pro, an organization designed to be a partner alongside business owners who want to grow in an ever-changing economy. With over 20 years of experience in the accounting/business field, Laura is a trusted business advisor and tax planner for business owners. Laura has represented over 3,000 clients in federal and state tax audits, which gives her powerful tax skills and insight. She is a firm believer in value-based services for her clients, which empowers them to do what they do best. Using proven and tested strategies, we save our clients tens and hundreds of thousands of dollars by working with us.

“It’s hard to fail, but it is worse never to have tried to succeed.” - Theodore Roosevelt.

Services Provided:

- Tax Planning
- Tax Preparation
- Accounting
- Small Business Tax

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MAXIMIZE DEDUCTIONS

STRATEGY: HOME OFFICE

Description

To qualify for a home office deduction, you must use part of your home exclusively and regularly as your principal place of business, exclusively and regularly to meet with clients, patients or customers in the normal course of business, on a regular basis for certain storage use; or as a daycare facility.

In the case of a separate structure not attached to your home, you may qualify for deductions related to it if it is used in connection with your trade or business.

“Exclusive” means the area can only be used for your trade or business. It does not have to be separated by any kind of permanent partition.

“Regular use” means more than occasional or incidental use and is determined from each taxpayer’s facts and circumstances.

To determine what qualifies as a “principal place of business,” consider the relative importance of the activities performed at each place where you conduct business and the amount of time spent at each place of business. A home office will qualify as a principal place of business if it is used exclusively and regularly for the administrative or management activities of your trade or business and if there is no other fixed location where you conduct a substantial portion of those activities.

Requirements

The home office is the principal place of business for a Schedule C business.

If not a Schedule C, these numbers can be used as a part of an accountable plan. See Accountable Plan Tax Planning Strategy in separate module.

To learn more about how this money saving tip is utilized, schedule a free strategy session [here](#).

Sources

Internal Revenue Code Sections and related regulations includes Reg. Section 1.62-2(d)(1), IRC Section 121, Reg. Sections 1.121-1(e)(1) and 1.121-1(e)(4), IRC Section 121(d)(6), IRC Section 1(h)(1)(E), Rev. Proc. 2005-14. Other resources include Rev. Proc. 2005-14, IRS Publication 587: Business Use of Your Home, IRS Tax-Tip 2020-98: Here’s what taxpayers need to know about the home office deduction.

STRATEGY: TRAVEL EXPENSES

Description

Owners are permitted to deduct reasonable costs for travel that is ordinary and necessary in the course of their business. They are frequently reluctant to claim these deductions for a variety of reasons, and few understand that there are some legitimate steps they can take to combine deductible business travel with vacations.

Types of trips that usually qualify as ordinary and necessary business expenses fall into three different types of categories.

The first category is travelling for new business. This includes traveling to scout new locations, explore potential M&A opportunities or acquire new investment property is all deductible business travel.

The second category is travelling for conferences and seminars. Such expenses can be found while travelling to attend conferences and seminars is usually deductible, and vacations can often be tacked onto these trips. Travel to and from the location for the participants is deductible, as is lodging for conference/seminar nights. However, non-business and non-conference days are not deductible.

The last category includes anything related to board meetings. Board meetings in resort locations can be deductible as long as the taxpayer can demonstrate a clear business purpose and a reason for why the meeting can't be held at the business primary location. For example: enticement for board members to attend.

Travel costs for spouses and children who accompany someone on a business trip are typically not deductible. However, if they are involved in the business and have a business purpose for attending, the travel may be deductible. For example, a child who functions as a videographer for the CEO and travels for that purpose would be deductible.

Requirements

Travel expenses must be documented and supported by receipts. Deductions for travel expenses of family members should be supported by evidence of their activities within the business as well as their participation in the business purpose of the travel.

Sources

Internal Revenue Code sections and related regulations include IRC Sec. 162(a)(2), IRC Section 274(h)(7); Reg. Section 1.274-5T(b)(2). Case law includes T.J. Enterprises, Inc. v Commr., 101 TC 581, Welch v Helvering, 290 U.S. 111, Barry v Commr., 54 TC 1210, aff'd 435 F.2d 1290, United Title Insurance Co., TC Memo 1988-38, Jackson v Commr., TC Memo 1975-301, Danville Plywood Corp. v U.S., 899 F.2d 3, Blackshear v Commr., T.C. Memo 1977-231, Robinson v Commr., T.C. Memo 1963-209. Other resources are IRS Publication 463: Travel, Gift, and Car Expenses.

STRATEGY: MEAL CATEGORIES

Description

Meal expenses can qualify for a tax deduction when they are connected with the active conduct of a trade or business. To qualify for a deduction, the meal expense cannot be lavish under the circumstances and the taxpayer or an employee must be present when the meal is provided. Once those two tests are met, a meal can qualify for one of two levels of deductibility. Those expenses subjected to 50 percent deductions include a meal with a customer, client, or employee that either includes or is immediately adjacent to a business discussion. In plain English, a “business lunch” or a dinner out at the end of a meeting. (Deductibility will also extend to taxes and tips.) Additional meals can be provided for business meetings in the office, whether they include clients or are limited to employees while traveling on business or even a Room rental for a dinner or cocktail party that meets the “active conduct of a trade or business” test. Meals provided on the employer’s premises for the employer’s convenience, including break room snacks and similar items, are also subject to the 50% limitation

There are certain limited exceptions to the 50% limit. For example, employer-provided social and recreational expenses incurred for the benefit of employees (other than highly compensated employees as those employees are defined for retirement plan purposes) such as a summer picnic or holiday party are eligible for a 100% deduction. Other exceptions include expenses that are treated as compensation to employees or are otherwise includible in the recipient's income and expenses related to food or beverages provided to the general public at something like a promotional event.

Similar expenses that are not deductible include a meal with a customer, client, or employee that did not include, or was not adjacent to, any business discussion. Entertainment costs, including any portion of a ticket to a concert, athletic event, or artistic performance that cannot be directly attributed to a meal or other food provided at the event. Additionally, dues for certain types of clubs, such as country clubs, social clubs, and athletic clubs are not included. Meals purchased at these places may qualify for deductions if they meet the rules above, but the dues paid to be a member are not deductible.

Requirements

Accurate records of who attended each meal and the business-related topics that were discussed either during the meal or immediately adjacent to it.

Sources

Internal revenue code sections and related regulations include IRC Sec. 119(a), IRC Sec. 119(b)(4); Reg. Sec. 1.119-1(a)(1); Reg. Sec. 1.119-1(a)(2); Reg. Sec. 1.119-1(a)(2)(i); Reg. Sec. 1.119-1(a)(2)(iii); Reg. Sec. 1.119-1(a)(2)(ii)(e) (50 percent rule); IRC Sec. 132(e)(2); IRC Sec. 274(e)(4); IRC Sec. 274(n); IRC Sec. 274(n)(2)(B). Other resources include IRS Information Release IR-2018-195, IRS Notice 2018-76, IRS Information Release IR-2020-39, IRS Proposed Regulations REG-100814-19, Information Release IR-2020-225, IRS Final Regulations T.D. 9925, IRS Publication 463 Travel, Gift, and Car Expenses, IRS Publication 535 Business Expenses, Treas. Reg. §1.274-12



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COMPANY BENEFITS

STRATEGY: QEAAP

Description

In general, awards given by employers to employees are deductible to the employer, whether paid in cash or property. In most cases, the value of the award will also be taxable income to the employee.

However, if an award of tangible personal property is given to an employee for length of service or safety achievement pursuant to a written plan or program that doesn't favor highly compensated employees, it may qualify for exclusion from the employee's income.

Individual awards valued at up to \$400 may qualify for the exclusion. In the case of employees who receive multiple awards, the total value that can be excluded in a year is \$1,600. Owner-employees of S corporations will not qualify for the exclusion.

Employees can still qualify for the exclusion if they choose their award. Awards of cash, gift cards, vacations, meals, lodging, or tickets to events will not qualify for the exclusion.

Requirements

The award is given pursuant to a program described in a written plan document that outlines the rules and requirements of qualifying for the award.

All employees are eligible (except for S corporation owner-employees).

Awards must be tangible personal property, not cash or cash equivalents.

To learn more about how this money saving tip is utilized, schedule a free strategy session [here](#).

Sources

Internal Revenue Code sections and related regulations include 26 USC § 274(j)(3)(B)(i) and other resources IRS Publication 15-B: Employer's Guide to Fringe Benefits and IRS Publication 535: Business Expenses (Chapter 2)

STRATEGY: FRINGE BENEFITS

Description

A fringe benefit is a form of pay for the performance of services. For example, you provide an employee with a fringe benefit when you allow the employee to use a business vehicle to commute to and from work.

There are various types of qualified fringe benefits that an employer can take advantage of. With regards to includes, as the employer, you can provide disability insurance that is taxable but exempt from FICA and unemployment, as well as group term life insurance up to \$50,000 for regular non-shareholder employees. Working condition benefits including corporate car, smartphone and associated services alongside job related education is considered a fringe benefit.

De minimis benefits fall underneath fringe benefits with the use of a company copy machine, small gifts, occasional parties and picnics, occasional theatre or sporting events as well as no additional cost benefits from points and miles programs.

There are many fringe benefits that were eliminated by the TCJA such as expenses related to entertainment, amusement and recreation. However, taxpayers can continue to deduct 50 percent of the cost of business meals if the taxpayer or an employee of the taxpayer is present. Qualified expenses associated with transportation fringe benefits or expenses incurred providing transportation for commuting was also removed. There's an exception when the transportation expenses are necessary for employee safety. Qualified expenses for bicycle commuting; these must now be included in employees' wages. And finally qualified moving expenses; these must now be included in employees' wages.

Requirements

If the owner plans to deduct the cost of fringe benefits provided, they must be related to the business. Most will meet that qualification as compensation paid to attract and retain employees.

To learn more about how this money saving tip is utilized, schedule a free strategy session here.

Sources

Internal Revenue Code sections and related regulations include IRC Section 1372; Rev. Rul. 91-26., IRC Section 1372., IRC Sections 1372(b); 318(a)(1), IRC Sections 105; 106; 162(l); IRS Notice 2008-1; IRS Announcement 92-16., IRC Section 125(d)(1) and Prop. Reg. Section 1.125-1(g)(2). The S corporation shareholder-employee who owns more than 2 percent is not an employee for Section 125 purposes. Participation in the Section 125 plan by a non-employee negates the plan and makes it taxable for all participants. IRC Section 4980D; IRS Notices 2008-1 and 2015-17., IRC Section 4980B(b)(1). IRC Section 4980D. Other resources: Notice 2005-8., Rev. Rul. 58-90; Rev. Rul. 91-26; Announcement 92-16; Fact Sheet 2008-25., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. Pub. Law 115-97, Sections 11048; 11049; H.Rpt. 115-466, p. 278., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2017), Dated Dec. 16, 2016, p. , IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 21., IRC Section 119., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 8., IRC Sections 74(c) 2018; 274(j) 2018., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 13., IRC Section 23; see 2017 Instructions for Form 8839, Qualified Adoption Expenses, dated Jun. 22, 2017., IRC Section 137., IRC Section 127(b)(3), IRC Section 129(d)(4), IRC Section 132(d) 2018., IRC Section 67(g), IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 21., IRC Section 132(e) 2018., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 9., IRC Section 132(b) 2018., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 19., IRC Section 132(c) 2018., IRS Pub. 15-B, Employer's Tax Guide to Fringe Benefits (2018), Dated Feb. 22, 2018, p. 11.

STRATEGY: TRADITIONAL 401(k) FOR TEAM MEMBERS

Description

A traditional 401(k) is a workplace benefit that allows employees to make pre-tax contributions through payroll deductions. You, as the employer, have the option to provide additional benefits to your employees. These could include optional profit sharing and/or matching a certain percentage of your employee's contributions.

The employer contributions may be subject to a vesting schedule. If the employee leaves before the contributions are fully vested, the employee will forfeit the non-vested portion of the contributions.

All employee contributions are always fully vested.

You can select from a variety of investment choices to offer in the 401(k) plan.

The traditional 401(k) can be a valuable benefit for your employees allowing you to attract and maintain quality staff.

The traditional 401(k) also allows owner-employees a way to defer taxes on their own 401(k) contributions. Investments in the 401(k) plan will also grow tax-deferred, until funds are withdrawn from the 401(k).

Requirements

There are numerous rules that must be followed in order to qualify a plan as a qualified traditional 401(k), including specific nondiscrimination requirements. These tests can be complicated, and they must be performed annually to ensure the plan does not discriminate in favor of highly compensated employees.

In addition, each year the plan must file Form 5500 with the IRS to report on the 401(k) plan. There are also employee communication requirements for distributions and other events.

To learn more about how this money saving tip is utilized, schedule a free strategy session [here](#).

Sources

Internal Revenue Code sections and related regulations include IRC 401k and other resources IRS Publication 560: Retirement Plans for Small Businesses and IRS Publication 4222: 401(k) Plans for Small Businesses



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NICHE OPPORTUNITIES

STRATEGY: RESEARCH & DEVELOPMENT CREDIT

Description

The research & development (R&D) tax credit is a general business tax credit available to companies that incur qualified research costs in the United States. The credit is officially known in the tax code as the “Credit for Increasing Research Activities.” It is typically calculated based on the amount by which a business’ qualified research costs in the current taxable year exceed an average of the amounts spent on similar costs in recent years.

In order for costs to qualify for the R&D credit, an activity must meet the following four criteria:

- It must relate to a new or improved product or process. Qualifying improvements should relate to the function, performance, reliability or quality of the existing product or process.
- It must be intended to eliminate uncertainty related to the design of the resulting product or process.
- It needs to rely on “hard science,” such as engineering or physical, biological, or computer science.
- It must involve a process of experimentation that evaluates alternatives and arrives at a conclusion by elimination.

The credit is not available for research activities conducted outside of the United States, Puerto Rico, or a U.S. possession.

Only certain direct and indirect expenses will qualify for the credit. Eligible direct expenses include qualifying wages, supplies, rental or lease cost of computers, and contract research expenses. Allocable portions of certain indirect costs may also be eligible for the credit, including overhead, rent, utilities, and managerial payroll.

The following industries see the R&D Credit the most (this is not an all inclusive list): Manufacturing & Fabrication, Software Development, Engineering, Architecture, Life Sciences & Pharmaceutical Machining, Aerospace & Defense, Food Science, Tool & Die Casting Foundries, Automobile and Chemical & Formula.

Requirements

An activity must meet a 4-part test in order for related costs to qualify for the R&D credit:

- It must relate to a new or improved product or process.
- It must be intended to eliminate uncertainty about that product or process.
- It must rely on “hard science.”
- It must involve a process of experimentation designed to eliminate alternatives.

Sources

Internal Revenue Code sections and related regulations: IRC Section 41, Regulations: 26 CFR §1.41-1 – Credit for Increasing Research Activities

STRATEGY: FICA TIP CREDIT

Description

The Tip Tax Credit is a credit that equal to the social security and Medicare taxes paid on the tips received by the employees. The business can claim this credit. No credit is given for tips used to meet the federal minimum hourly wage rate.

A business cannot claim both the credit AND the expense deduction. If the business claims the credit, they must reduce social security and Medicare tax deductions accordingly.

The credit reduces tax liability dollar for dollar and passes through to partners or shareholders of partnerships and S corporations.

Requirements

Only for a food or beverage establishment where tipping is customary.

Only for employer social security or medicare taxes paid on those tips.

To learn more about how this money saving tip is utilized, schedule a free strategy session [here](#).

Sources

IRC Section 45b

STRATEGY: IC-DISC

Description

An IC-DISC is an “Interest Charge Domestic International Sales Corporation” formed pursuant to Code Section 991. The IC-DISC was created by Congress to promote export sales. It is a U.S. C Corporation that is established to earn a “commission” on the operating company’s export sales. The IC-DISC’s commission is the greater of the 50% of net income on sales of qualified export property, or 4% of gross receipts from sales of qualified export property. The operating company receives a current deduction for the commission that is paid – at ordinary rates. The IC-DISC is tax-exempt, so it does not pay tax on its commissions received. Income is tax-deferred until profits are distributed – and when distributed, are treated as qualified dividends (taxed at 15%, 20%, or 23.8%, as the case may be.) The IC-DISC also provides a rate arbitrage – from ordinary to qualified dividend rate.

Requirements

To be an IC-DISC, a corporation must be organized under the laws of a state or the District of Columbia and meet the following tests. At least 95% of its gross receipts during the tax year are qualified export receipts. At the end of the tax year, the adjusted basis of its qualified export assets is at least 95% of the sum of the adjusted basis of all of its assets.

It has only one class of stock, and its outstanding stock has a par or stated value of at least \$2,500 on each day of the tax year (or, for a new corporation, on the last day to elect IC-DISC status for the year and on each later day). It maintains separate books and records.

Its tax year must conform to the tax year of the principal shareholder who has the highest percentage of voting power. If two or more shareholders have the highest percentage of voting power, the IC-DISC must elect a tax year that conforms to that of any one of the principal shareholders. See section 441(h) and its regulations for more information. Its election to be treated as an IC-DISC is in effect for the tax year. If a related person sells export property to the IC-DISC, use the intercompany pricing rules to figure taxable income for the IC-DISC and the seller. These rules generally do not permit the related person to price at a loss. Under intercompany pricing, the IC-DISC's taxable income from the sale (regardless of the price actually charged) may not exceed the greatest of:

4% of qualified export receipts on the IC-DISC's sale of the property plus 10% of the IC-DISC's export promotion expenses attributable to the receipts; 50% of the IC-DISC's and the seller's combined taxable income from qualified export receipts on the property, derived from the IC-DISC's sale of the property plus 10% of the IC-DISC's export promotion expenses attributable to the receipts; or taxable income based on the sale price actually charged, provided that under section 482 the price actually charged clearly reflects the taxable income of the IC-DISC and the related person.

Sources

Code Section 991-996, and Regs thereunder. Form 1120-IC-DISC - Additional Material, Summa Holdings, Inc. v. Commissioner, Schedule P (Form 1120-IC-DISC)



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LEGAL ENTITY OPTIMIZATION

STRATEGY: S-CORPORATION

Description

S Corporations are not taxed at the corporation level. Instead, they pass corporate income, losses, deductions and credits through to their shareholders for federal tax purposes. 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.

One major benefit of an S Corporation is that not all earnings may be subject to self-employment tax. An S Corporation shareholder is an owner-employee of the business. This means that the net profit from the business is a blend of self-employment income and a return of capital from the shareholder's investment in the business.

The self-employment component is paid out as wages and is subject to self-employment tax. The return on the investment is paid out as a distribution, and is not subject to self-employment tax.

To prevent 100% of the earnings from being treated as distributions (and not paying self-employment tax), S Corporation shareholders are required to take "reasonable compensation." Amounts taken as reasonable compensation are treated as wages, and the shareholder and corporation will pay FICA and Medicare taxes on those wages. Since only a portion of net profit is subject to self-employment taxes, business owners can see significant savings on self-employment taxes. These are not one-time savings, but are available as long as the S Corporation is in business.

All net profit, whether distribution or wages (reasonable compensation) is still subject to income tax.

Requirements

The client has elected to incorporate or become an LLC that may be taxed as an S Corporation. The client has also filed Form 2553 (Election by a Small Business Corporation) with the IRS.

In order to be eligible for a S Corporation status, the business must be a domestic corporation, have only allowable shareholders including individuals, certain trusts and estates and have no more than 100 shareholders. In addition, the S Corporation can have only one class of stock and cannot fall into an ineligible category such as certain financial institutions, insurance companies, and domestic international sales corporations.

Lastly, partnerships, corporations, and non-resident aliens cannot be shareholders in an S Corporation.

Sources

Internal Revenue Code sections and related regulations include IRC Sections 1361-1363.

STRATEGY: C-CORPORATION

Description

In a C Corporation, the company's earnings are taxed at the C Corporation rate, rather than at the individual's tax rate. The owner is not required to take profits out of the C Corporation and they can be retained within the corporation. This allows the total tax to stay at the lower C Corporation rate. However, if the individual decides to take out profits from the company, the individual will also be taxed on those dividends in addition to the income taxes on the earnings at the C Corporation level (double taxation).

In a business where substantial profits are being reinvested into the business rather than being distributed to owners, a C Corporation structure may be more beneficial. Under TCJA, corporate income tax rates are a flat 21% where individual tax rates on pass-through income are likely much higher. The tax savings calculation will be the difference between the individual owner tax rates and the corporate tax rate.

C Corporations can be a good way to provide valuable fringe benefits to the employees of the corporation, including the shareholders.

A C Corporation is a separate legal entity and does provide personal liability protection to the shareholder for the debts of the business. However, as a separate entity, an additional income tax return must be filed. There are also additional paperwork requirements for the C Corporation, such as preparing the Articles of Incorporation and recording meeting minutes.

Requirements

The client has elected to incorporate or be taxed as a C Corporation.

To learn more about how this money saving tip is utilized, schedule a free strategy session [here](#).

Sources

Internal Revenue Code sections and related regulations include 26 U.S. Code § 11; IRC Section 1301(a).

STRATEGY: PARTNERSHIP

Description

A partnership is an entity owned by two or more people for a trade or business. Each person contributes money, property, labor or skill, and shares in the profits and losses of the business.

A partnership does not pay tax at the partnership level, but instead passes through the income, deductions, gains, losses, etc., from its operations to its partners. Each partner reports their share of the partnership's income or loss on their personal tax return.

Partners are not employees, and do not receive a W-2 from the partnership.

Partnerships are extremely flexible, with the terms of the partnership set forth in the partnership agreement. Included in the partnership agreement will be the per partner allocation of income and losses.

A partner can be either a general partner or a limited partner. The general partner is involved in the day-to-day operations of the business. Each partnership must have at least one general partner.

General partners are subject to both income tax and self-employment tax based on their percentage of income from the partnership.

General partners may also be personally liable for the debt of the partnership and their other partners.

Limited partners are investors in the partnership and are not subject to self-employment tax, but are subject to income tax on the net profit of the business. Limited partners typically are not liable for the debts of the business.

Some partnership agreements may include guaranteed payments to certain partners based on services provided or capital invested. Guaranteed payments are subject to self-employment tax to the partner that receives them, even for limited partners.

Requirements

A partnership agreement and other legal documents are prepared to form the partnership.

To learn more about how this money saving tip is utilized, schedule a free strategy session [here](#).

Sources

Internal Revenue Code sections and related regulations include IRC Publication 541



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