

TREND WATCH

Seven tax-saving strategies for small businesses, startups and solopreneurs

By MEISA BONELLI

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With approximately one-third of taxpayers purported to wait until the last 30 days leading up to filing deadline, there is egregious opportunity loss with respect to potential tax savings were strategy to be employed all year through. Sadly, many small- and home-based business owners, solopreneurs and startup owners are serial “late filers” and miss out on maximizing tax benefits that are unique to their type of business structure. In fact, most have no idea there are tax professionals that exclusively focus on strategy for this niche who can help these entrepreneurs realize tremendous tax advantages.

The following are seven tax-saving strategies these types of business owners should heed:

1. Choose the right entity for your business

Per the *Global Entrepreneur Monitor Report*, 69 percent of all startups in the United States are home-based businesses and 59 percent of established businesses more than three and a half years old continue to operate as home-based businesses. If you’ve decided to start a business, or maybe you have been running one for a while, then become official. Let your county, state and the federal government know that you’re in business by registering your business within your state under the entity type that best suits your business goals. Remember, there isn’t a one-size-fits-all approach for home-based businesses, so make sure to consult with your tax professional or an attorney about the best business entity for you.

2. Audit-proof your business

Audit-proofing your business means more than just saving your receipts. Depending on the type of home-based business you operate, you may need to keep calendars, mileage and personal-use logs. All home-based businesses aren’t created equal, so speak with your tax professional about what you can do to make your business in particular tax-compliant.

3. Get a business tax professional

If you would go to an optometrist for your eyes and a podiatrist for your feet, why wouldn’t you seek out a tax professional who understands the intricacies of your type of business? Choosing a specialized tax professional can save you thousands of dollars (in missed deductions) and time (trying to learn pertinent IRS regulations). Do-it-yourself software can’t do it all, and software is only as

good as the person using it. If you’re in business, leave maximizing your savings to professionals who can help you.

4. Get a second look

In 2012 (for the 2011 filing year), nearly a quarter-million individual business returns not claiming the Earned Income Tax Credit (excluding farm returns) were examined by the IRS and assessed additional taxes to pay after review. Many tax professionals offer complimentary consultations regarding their services and will take a look at your prior year’s returns. If the IRS is going to make sure they don’t miss a dime, then you should make sure you don’t miss a deduction.

5. Tax planning is year-round

If your business isn’t seasonal, then you need a year-round tax plan, strategy, and procedures — not to mention a professional who’s available. When you have a simple tax situation, it is okay to check on your taxes once a year if not much has changed in a year (such as purchasing a home). However, if you’re running a business, the tax implications of your business’ decisions are a 365-day consideration.

6. Start a retirement plan

The government makes it very advantageous for home-based business owners and solopreneurs to save for retirement. Even if you’re just starting out, planning for your future is one of the best savings strategies. Take full advantage of the plan that best suits you and your long-term goals.

7. Have integrity

It’s not a deduction you’ll find in an IRS publication, but running your business on the up and up is good for your bottom-line. Tax fines and penalties for not running your home-based business like a real business are stiff. Seek out the information you need to operate a successful home-based business and consistently follow the appropriate rules and regulations.

Bonelli is a Wall Street finance and tax professional. She is the president of Millennial Ventures and managing partner of Millennial Tax, a provider of tax preparation and strategic business planning to home-based business owners and solopreneurs.

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