RCN CPAs & BUSINESS ADVISORS

SMALL BUSINESS
Tax Planning Checklist

Small Businesses in general have to keep a tight rein on their financials to grow and scale. Many businesses don't realize that by optimizing revenue and reducing taxes you can actually keep more of what you earn. Reducing taxes is like finding "Diamonds in Your Backyard". This is money that can be used to reinvest in your business, expand your operations, hire new employees, or just put more money in the owner's pocket.

Here are 7 things to consider for tax planning in your business:

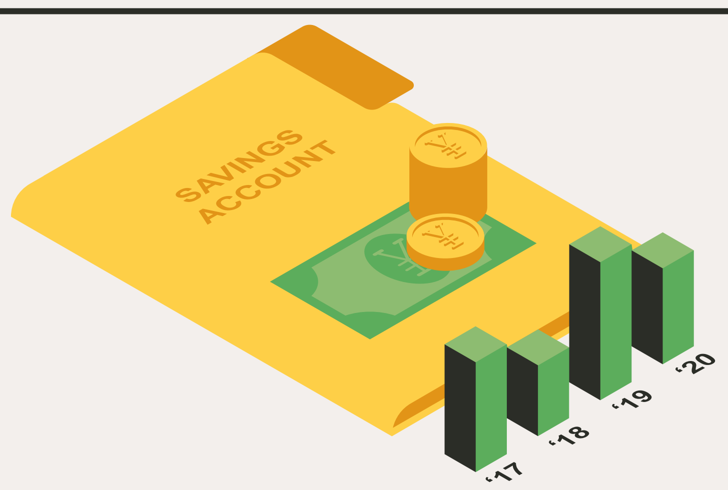
1. REVIEW YOUR CURRENT TAX PROJECTION.

First, you'll want to review your basic tax issues.
This can also include shareholder funding to take losses.
After this review, you may want to consider increasing or decreasing your withholding or estimated taxes based on what you find. You'll also want to consider next year's tax bracket and determine your year-end tax strategy. For example, this may entail accelerating expenses and/or deferring income.

2. CLAIM EMPLOYEE RETENTION CREDIT.

The Employee Retention Credit (ERC) is another tax credit created by the CARES Act. It incentivizes businesses to keep employees on the payroll during the pandemic by providing a credit against the employer's portion of payroll tax. Because it's a refundable credit, if the calculated credit is greater than your payroll tax liability for the quarter, the excess amount can come back to the business as a tax refund. It expires at the end of 2021, so it's advisable to use this if you can.

3. CONTRIBUTE TO A HEALTH SAVINGS ACCOUNT (HSA).



Consider using an HSA for employees. These accounts allow people with high-deductible plans save on out-of-pocket medical expenses in a tax-advantaged account. Employees can make tax-deductible contributions that grow tax-free as long as they use them to pay for qualifying healthcare expenses.
For 2021, you can contribute up to $3600 for an individual or $7200 for a family. Even if you miss the December 31st deadline in 2021, you can contribute up to April 15th, 2022, and still claim it on your 2021 tax return.

4. EVALUATE OFFICE IN-HOME SITUATION.

The pandemic has made remote working the norm for many businesses. To use this for income tax purposes, you need to work from home regularly and consistently. Because of the **2%** miscellaneous itemized deduction floor, consider having your business pay or reimburse certain allocated costs such as utilities.

5. ESTABLISH A RETIREMENT PLAN.

Small businesses can claim a tax credit worth up to $5000 per year for 3 years to help offset the costs of setting up a plan. Those costs include setup and plan administration fees as well as educating employees about their retirement savings options. If you want to set up a Keogh, Profit-Sharing, or Pension plan, you must set it up and contribute to it by year-end to take the deduction.

6. DETERMINE PROJECTED CAPITAL GAIN/LOSS.

Capital gains are the profit from a property or investment that was sold. Under current federal tax policy, the capital gains tax rate applies only to profits from the sale of assets held for more than a year, referred to a **"long-term capital gains."** The rates are 0%, 15%, or 20%, depending on the taxpayer's tax bracket for that year, and are the lowest tax rates you can take advantage of. The maximum you can file as a capital loss is $3000.

7. DETERMINE BUSINESS AUTO EXPENSE.

This includes expense reports, business miles driven vs. other uses, and purchase vs. lease. Claim bonus depreciation. This allows you to **claim 100%** of "new" and "used" vehicles if they were in service the entire year. For SUVs over 6000 lbs., the allowable deduction limit is $25,000.

RCN CPAs & Business Advisors specialize in taking care of all your tax planning and preparation needs. Contact us for a FREE consultation on your taxes at:

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