

10

Most Expensive Tax Mistakes That Cost Business Owners Thousands

Serving Growing Small Businesses

RCN CPAs & Business Advisors LLC

(770) 499-0866 | info@rcncpas.com | www.rcncpas.com



Table of Contents

- 03** Failing to Plan
- 04** Audit Paranoia
- 04** Wrong Business Entity
- 05** Missing Qualified Business Income
- 06** Wrong Retirement Strategy
- 06** Missing Family Employment
- 07** Missing Medical Expenses
- 07** Missing Home Office Expenses
- 08** Missing Car/Truck Expenses
- 08** Missing Business Meals

■ 1. Failing to Plan

Many business owners think of tax planning as something to do just before year-end or right at the filing deadline. However, proactive tax planning should occur throughout the year, as decisions made in every quarter can affect your annual tax liabilities. Effective planning includes strategies like timing income and deductions, planning for large expenditures, and tax-loss harvesting.



■ 2. Audit Paranoia

Some business owners avoid claiming legitimate tax deductions due to an unfounded fear of audits. While it's important to comply with tax laws, undue fear should not prevent you from taking advantage of all tax benefits you are legally entitled to. Understanding audit triggers and maintaining good records can help you confidently claim what you deserve.

■ 3. Wrong Business Entity

Selecting the wrong business structure (such as LLC, S-Corp, C-Corp) can significantly impact your tax obligations and the benefits you might receive. Each entity type has different tax implications, and the best choice depends on your specific business activities, revenue size, and long-term goals. Consulting with a tax professional to reevaluate your business structure can lead to better tax outcomes.

■ 4. Missing Qualified Business Income

Some business owners avoid claiming legitimate tax deductions due to an unfounded fear of audits. While it's important to comply with tax laws, undue fear should not prevent you from taking advantage of all tax benefits you are legally entitled to. Understanding audit triggers and maintaining good records can help you confidently claim what you deserve.



■ 5. Wrong Retirement Strategy

Choosing the incorrect retirement saving strategy can cost you both now and in the future. Traditional and Roth IRAs, 401(k)s, and other retirement plans have different tax implications. For instance, some offer tax-free growth, while others provide tax deductions on contributions. Selecting the right plan based on your income level and retirement goals is crucial.

■ 6. Missing Family Employment

Employing family members in your business can shift income to a lower tax bracket if managed correctly and comply with labor laws. Paying reasonable wages to your children, spouse, or other relatives for legitimate work can reduce your taxable income and provide them with income at a potentially lower tax rate.

■ **7. Missing Medical Expenses**

Many business owners pay out-of-pocket for medical expenses and fail to take advantage of opportunities to deduct these costs. Strategies such as Health Savings Accounts (HSAs) or Flexible Spending Accounts (FSAs), and certain self-employed health insurance deductions can offer significant tax savings.

■ **8. Missing Home Office Expenses**

If you use part of your home regularly and exclusively for business, you may deduct related expenses, such as a portion of utilities, insurance, and home maintenance. Misconceptions about this deduction being a red flag for audits have dissuaded some from claiming it, potentially costing them hundreds or even thousands in savings.

■ 9. Missing Car/Truck Expenses

Business use of a vehicle offers significant deductible expenses, including mileage, gas, repairs, and insurance. Properly documenting business vs. personal use and understanding the IRS requirements for vehicle deductions are key to maximizing this benefit.

■ 10. Missing Business Meals

The tax law allows for deductions of business meals under certain conditions, often at 50% of the cost, and sometimes 100% if criteria are met. Not tracking these expenses or failing to understand the nuances of what qualifies can lead to missed deductions.

■ 11. Missing Our Service

Lastly, not utilizing professional tax planning services like ours is a critical mistake. Our comprehensive approach not only identifies potential tax savings across all aspects of your financial life but also implements strategies tailored to your unique business and personal financial situation.

Schedule a FREE SmartWealth Tax Analysis Call



During the call, we'll work together to develop tailored strategies that address your unique challenges and set you on the path to achieving your business goals.