

# **THE FIVE MOST OVERLOOKED SMALL BUSINESS TAX DEDUCTIONS AND STRATEGIES**



**FIVE MOST OVERLOOKED SMALL BUSINESS TAX DEDUCTION  
AND TAX REDUCTION STRATEGIES TO HELP MAXIMIZE YOUR TAX  
DEDUCTIONS AND KEEP MORE OF WHAT YOU EARNED**

**J O S E P H   S E R R O N E**



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## Introduction:

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At [Polaris Tax & Accounting](#) our focus is not only on compliance by managing your small business accounting and preparing Corporate and Personal Tax Returns, we focus on proactive year-round tax saving strategies for our clients.

“Taxpayers overpay taxes by almost a billion dollars  
each year to mistakes and missed opportunities”

2002 Study by US General Accounting Office

This article discussed the five most overlooked small business tax deduction and tax reduction strategies, this short article only scratches the surface in fact, there are many more overlooked strategies and deductions often missed by small business owners. Our firm is here to help maximize your tax deductions and keep more of what you earned.



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## The Annual Meeting:

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If your business is incorporated, or you have a Limited Liability Company (LLC) you are required by law to hold an annual meeting, yet small businesses very rarely do actually hold an annual meeting. This is not only a requirement but also a great tax planning opportunity that is often missed.

Large publically traded corporations spend tens of thousands of dollars in hosting their corporate annual meeting by bringing shareholders together, entertaining them, and conducting the meeting. Most of these expenses are bona fide deductions that can be expended through the business.

Just like large corporations, your small business can benefit from the annual meeting strategy by deducting this as a business expense. There are no set requirements that oblige you to hold your annual meeting where your business is physically located therefore, consider hosting your Annual Meeting offsite, perhaps at your favorite vacation spot in order to deduct a large portion of expenses. Do not forget to maintain detail records of the event, and contact our office for additional guidance to help audit proof your annual meeting.



## Making Entertainment Expenses 100% deductible:

Entertainment expenses like playing golf, and fishing trips with clients are usually only deductible at a rate of 50% however, Reg. Section 1.274-2(d)(3)(ii) creates a loophole that allows a business owner to deduct 100% of entertainment expenses.

In order to accomplish this strategy, you must:

1. Bundle the entertainment activity with a real business discussion.
2. This discussion must happen in the same 24-hour day as the entertainment event.
3. The discussion must happen in a business environment.

Remember to substantiate your claim by keeping excellent accounting records of the event including:

- The name of the clients attending the event.
- The type of entertainment event (golf, movies, etc.).
- The location the entertainment took place.
- The specific business purpose of this event.

The takeaway is that you can deduct 100% of entertainment expenses but you must correctly tie this with a bona fide business discussion in a business setting therefore, find a quiet place with tables and chairs and discuss business immediately before and after the entertainment event. Our firm can help make sure you maintain the needed information in order to audit proof your entertainment deductions.



## Hiring your Child:

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If you have children above age 7 here's an idea for small business owners, consider hiring your child as a bona fide employee, this can be either on a part-time or full-time basis. This powerful strategy allows business owners to write-off as a legitimate business expense their child wages. Not only by hiring your child will you be teaching them valuable life skills, but you will also help reduce your business Income subject to Federal and State tax.

Your child can earn up to \$ 6,300 in wages without being taxed, earning above that amount results only in a 10% income tax. Your small business is not required to pay Social Security tax for your child's wages until he or she is 18 years old, your small business can also avoid paying unemployment tax until your child turns age 21.

To audit proof this strategy:

- Your child's activity needs to be directly related to your business.
- The child's wages must be reasonable for the work performed.
- Maintain a detailed time sheet for your child's work including when and where the work was completed and what task was completed.

Is there work for which you definitely cannot hire someone under 18? Yes! In fact, the Fair Labor Standards Act, a federal law, outlines what types of jobs kids are allowed to do, and at what ages. Therefore, be sure to check with our firm regarding potential limitations associated with hiring your child in your business.



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## Use section 179 to your advantage:

Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year allowing you to reduce your overall taxable income. As of 2015 tax year, Section 179 is limited to \$ 500,000 to qualify, the item must meet three qualifications:

- The property must be tangible.
- The property must have been acquired for business use.
- The property must have been purchase by you, not gifted.

The Section 179 election is made on an item-by-item basis for eligible property meaning that you do not have to elect the full depreciation on all eligible property purchased during the fiscal year. The election must be made in the tax year the property is first placed in service and reported on Form 4562, our firm can properly advise you if Section 179 is a good option for your small business.



## Failing to work with a proactive accountant:

As a small business owner you are often engaged in various roles, from senior accountant, lead sales person, to master marketer and visionary of your business. Tax law is convoluted, complicated, and changes regularly as a result, managing your own accounting records and not working with a proactive accountant can be costing you more than you think you are saving in accounting fees.

“72 percent of small-business owners change their CPA or Accounting Firm because they received reactive service instead proactive advice”

2014 Study by The Sleeter Group

As a proactive accounting firm we help you identify tax saving opportunities throughout the year that are individualized to your own situation. By outsourcing your accounting, you can spend more time doing what you love, manage your business more effectively, and spend less time worrying about your accounting and what should be deductible.

Working closely with an accounting firm like [Polaris Tax & Accounting](#) can help you avoid overpaying taxes, while identifying the best tax saving strategies tailored for your individual needs. What's more, the accounting and tax fees also count as a business deduction. Bonus!



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## Conclusion:

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One of the ways we help our clients is by working hard to provide tax-smart investment strategies to minimize the impact the IRS can have on your bottom line. If you have any questions about your taxes or how tax-efficient planning can help reduce your tax burden, please give us call.

All the best,



Joseph Serrone, CTP  
Managing Partner

