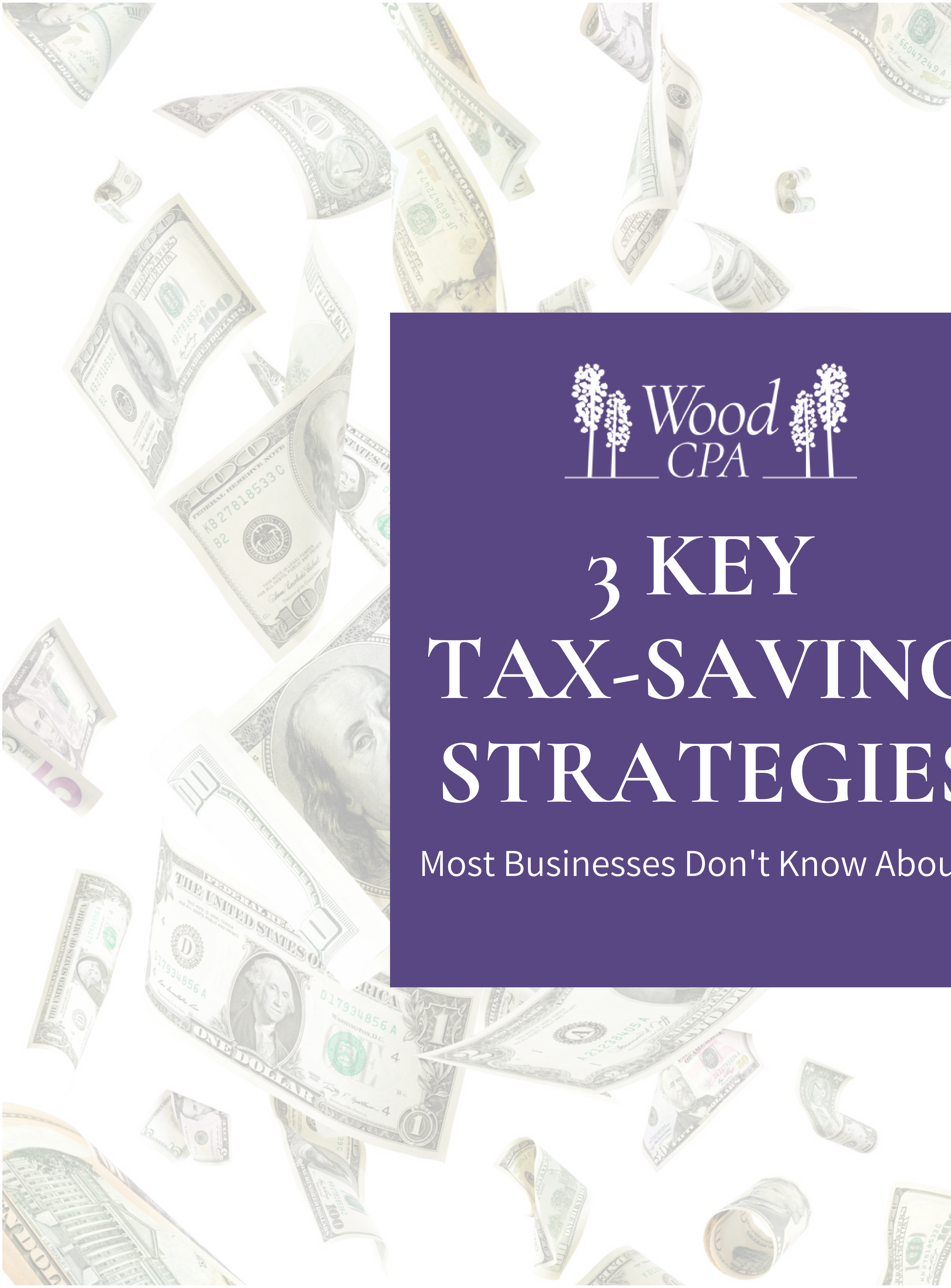

Wood CPA

# 3 KEY TAX-SAVING STRATEGIES

Most Businesses Don't Know About!

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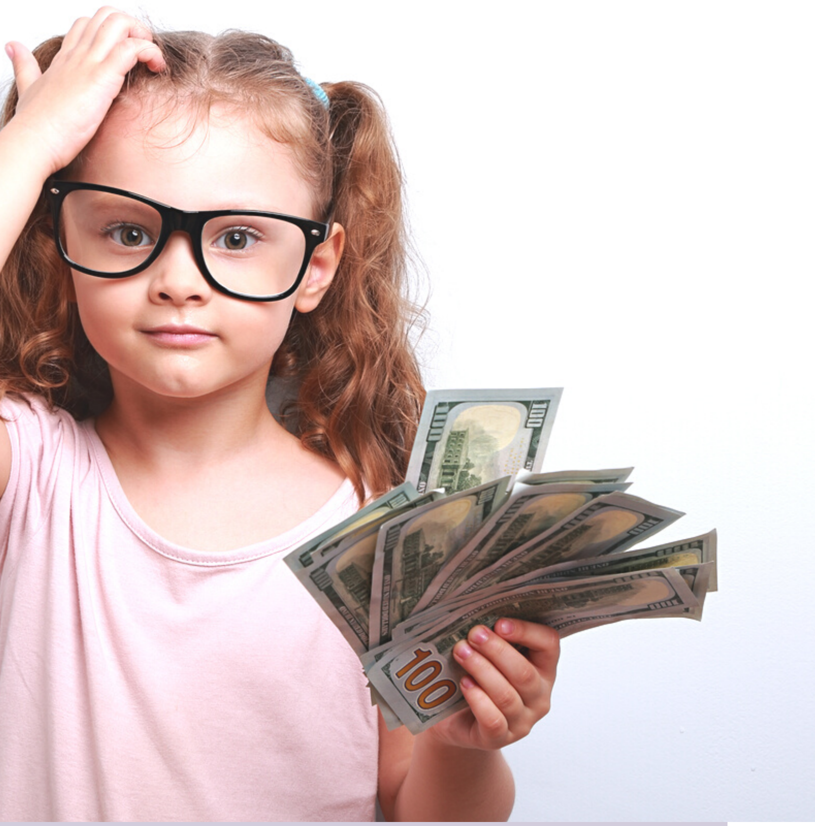
# #1: Qualified Business Income Deducation

Are you self-employed or the owner of a small business? You may qualify for the QBI deduction.

This allows qualifying taxpayers to deduct 20% of their business net income on their taxes.



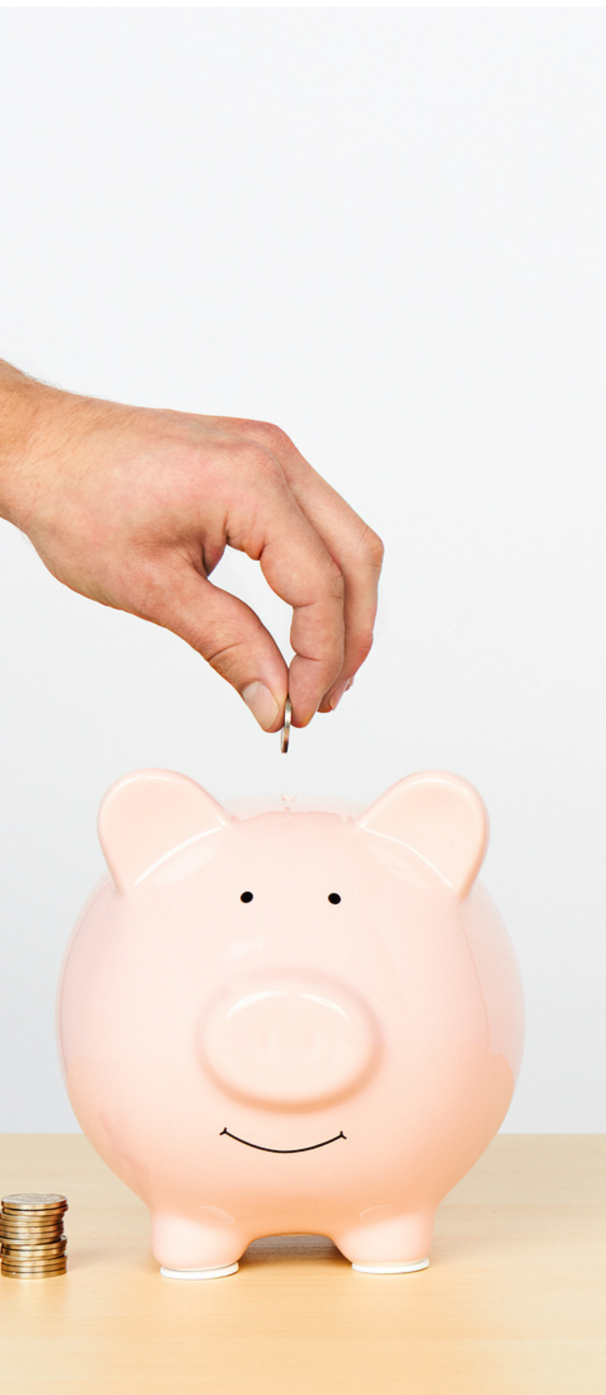

## The Details:

- Business owners that operate as a Partnership, S-corp, LLC or Sole Proprietor may qualify.
- Individuals who own rental properties as a trade or business may qualify.
- If you are invested in REIT dividends, you may qualify.
- Your taxable income will affect this calculation.

# #2: Retirement Income Contributions

Did you know that contributing to a retirement plan for yourself and any employees can save you money on your taxes?

There are four main types of retirement plans that are available to small business owners - SEP IRA, SIMPLE IRA, Solo 401(k) and 401(k).



## Contribution Needs...

- The SEP IRA contribution limit for 2019 is lower than 25% of employee compensation or $56,000.

- The SIMPLE IRA contribution limit for 2019 is lower than 100% of employee compensation or $13,000 and employers must match up to 3% deferred income or 2% contribution on behalf of all employees.

- The Solo 401(k) contribution limit for 2019 is lower than 25% of employee compensation or $56,000.

- Employees can defer up to $19,000 ($25,000 if 50+). Total contribution between employee and employer cannot exceed $56,000.The 401(k) contribution limit for 2019 for employees is $19,000 ($25,000 if 50+).

# #3: Entity Selections

Did you know that your tax advantages hinge largely on which entity you choose to operate your business under and which entity you choose to file under?

Whether you're an established business or just getting your business off the ground, a good accountant will educate you on the advantages and disadvantages of each entity.

## Did you know that...

...a business with only one owner and an established LLC has the option to file as a Sole Proprietor or as an S-corp?

...a business with more than one owner has the option to file as a Partnership or S-corp?

...any business can also be established as a Corporation and file as a C-corp?

# Pros and Cons of Each Entity

## Partnership...

This works well for businesses that have investors/silent partners or multiple owners

**Pros** - allows for flexibility with how income and expenses are allocated between the partners; easy to add/remove partners during the year; distributions from earnings do not need to be equal to ownership

**Cons** - self-employment tax is required of all general partners

## S- Corporation...

A great choice for businesses where operating the business is the owner's full-time job.

**Pros** - avoids self-employment tax

**Cons** - requires a separate tax return; the owners are on the payroll and need to take a "reasonable compensation"; distributions from earnings need to be equal between owners based off of ownership percentage

## Sole Proprietor...

A great choice for independent contractors, side gigs, etc.

**Pros** - filed on an individual tax return (separate tax return not needed); owner can take draws from the business with no restrictions; owner can possibly take a higher QBI

**Cons** - self-employment tax is required