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End the Year Strong: 4th Quarter Tax Moves to Slash Your Taxes

This is an opportunity for you to end the year on your terms. We are in the 4th quarter, and it is you vs. the IRS. We want you to have a 4th quarter comeback and beat the IRS.

The strategies that Dominique covered in our November webinar can save you thousands. One of the most common mistakes we see when it comes to business owners and their taxes is they only worry about their taxes during filing season. The truth is, you should be tax planning all year long! However, you still have some time left to get savings and implement these savings for the entire year of 2023.

This is more important now than ever! The double dangers are taxes and inflation. Together they can be real killers to your net worth. You can't control inflation, but you can control your tax bill.

It's time to stage a comeback and save some money on your taxes!

Don't forget to check out the live recording in your MidasIQ Vault to get even more details and examples from the webinar.

Tip 1: Give businesses gifts to organizations instead of individuals

First, let's cover a simple one since there are a lot of holidays toward the end of the year you could take advantage of. As a business, you are only allowed to deduct $25 in gifts per person each year, and giving as a married couple counts as one person in this case.

There is a loophole in the tax code that says gifts made to groups or organizations don't have a limit. Unless you give away inexpensive gifts to clients or prospects, give it to their company or a group instead of an individual. Addressing it to a business makes the deduction unlimited!

Tip 2: Income Shifting

"Income Shifting" sounds fancy, but all it does is shift some of your income to next year. You can postpone billing clients until after the first of the year to push that income into another tax year and lower your income for this year. Another option is to approach vendors and prepay for expenses that will happen next year and increase your expenses. If you are worried about taxes going up and you think you'll make more money next year, you might want to do the opposite and try to bill clients this year while paying expenses after the first of the year.

Tip 3: Beat the standard deduction with charity

Many people give to charities throughout the year, and a bonus incentive for charitable giving is the ability to itemize that donation on your taxes. But now that the standard deduction threshold has increased, many people won't qualify because their total itemized deductions won't exceed $12,950 for singles and $29,500 for married/filing jointly.

One way to meet the threshold is to double your contributions and pay every other year. Take the donations you typically make over two years and donate them all at once.

If that amount allows you to reach the new threshold, it may be worth it. Then the following year, you would hold off on your donations, take the standard deduction, and repeat the doubling-up strategy the following year. You are donating every other year in this case. You get a bigger bang for your buck.

Make sure you at least do the $300 single/$600 married charitable donation (cash/check/credit card) that is allowed even when taking the standard deduction.

Did you know? You can deduct the mileage driving to and from the charity to donate!

Tip 4: Prepay expenses with credit cards

Sounds crazy, right? When would a responsible CPA tell you to charge things on your credit card?

This tip doesn't necessarily save you money on taxes, but it allows you to use deductions to your benefit, depending on what makes the most sense on your taxes. This includes charitable contributions.

As an individual taxpayer or sole proprietor, you get a deduction when you pay for the expense. Even if you have the cash to pay for these items, the credit card is the secret sauce because you can charge it now, claim the deduction, and then pay it off in January.

Tip 5: HSAs and HRAs

Medical expenses are one of the hottest topics when it comes to savings. You may remember some of this from our event in July. However, if you want more detailed information, check out the recording from the MidasIQ event located in your vault.

If you qualify, you should set up an HSA (Health Savings Account) this year and an HRA (Health Reimbursement Arrangement) for next year.

With an HSA, you are funding an account for medical purposes.

You do not need to have a business to fund it. It is a great way to supplement your health insurance. One of the most exciting things about HSAs is any money you fund the HSA with is tax-deductible. You can put in up to $3,650 per year if you are single or $7,300 if you are married.

You most likely qualify for a Health Savings Account if you have a high-deductible health insurance plan. You can set it up quickly. Some banks offer HSAs, or there are a handful of online resources that can get you started.

Maxing out your HSA yearly is an excellent way to save money for future medical expenses. HSAs are not a "use it or lose it" program, which means as you continue to contribute, they could grow to be a lot for any health-related issues during your retirement years.

An HSA is a great tool, but an HRA can be even more lucrative. This is a little-known strategy that has been in the tax code since 1955 and could save you a ton of money next year.

An HRA works with your medical insurance, but it is not an insurance product. You can keep any plan that makes sense for your family. This covers the things the insurance policies don't cover. An HRA is in addition to your healthcare plan.

To set up an HRA, you will need to hire your spouse in your business. You must have a written agreement that meets the IRS and Division of Labor rules. The agreement needs to specify that the business agrees to reimburse ALL medical expenses not covered by insurance. Your spouse then elects family coverage, which covers YOU and your dependent kids! It is a win-win! You pay for your medical expenses and reimburse yourself from your business for non-covered, necessary family expenses. The business then gets a deduction.

As a business owner, this is a great way to get maximum value out of your medical costs.

You will need an administrator to ensure your plan is set up according to the IRS and other laws, as well as take care of the paperwork and ensure it stays compliant each year. Fortunately, some companies can do this for you. The one we recommend is called Total Administration Services Corp (TASC). TASC can automate the whole process and ensure the paperwork is done right for you.

If you want more information on this, go to www.midasiq.com/hra, and we have a quick quiz that you can take to see if you might qualify.

Tip 6: Go on a shopping spree

This isn't your typical shopping spree; it's a particular type of shopping spree for equipment or tools you need in your business, like a computer, iPad, power tools, desk, etc.

Typically, when you buy equipment for your business, you get to write the purchase cost off over time. For example, a computer is usually written off over five years. So, a $2,000 MacBook Pro would be written off at $400/year for five years.

However, a section of the tax code (179 Expense) allows you to deduct the full cost of new equipment in the same year you purchase it if you are purchasing less than $1,080,000 per year.

Remember, it must be equipment that you use in your business!

Tip 7: Last-minute vehicle purchase

This is one of the more well-known year-end deductions. Have you ever noticed that many business owners start driving around new vehicles towards the end of the year? Savvy business owners will take stock of their tax situation at the end of the year to determine if buying a vehicle will save them thousands of dollars in taxes.

If you are in the market to buy a truck, large SUV, or a work van, you can write off up to 100% of the purchase price this year.

The IRS looks at these as "work" vehicles, and they allow special rules for them to be deducted quickly. First, however, you must buy a 'qualified' vehicle. Anything that doesn't qualify for this rule must be written off over at least five years.

Requirements for qualified vehicles:

Qualified Trucks

- New to you
- It must have a 6,000lb gross vehicle weight
- It must have a 6-foot cargo area
- Must not have any rear seating, or it will qualify for the SUV rule instead
- Built on a truck chassis

Qualified SUVs and Vans

- New to you
- Must have a 6,000lb gross vehicle weight
- Must be built on a truck chassis
- Needs to carry passengers (rear seating)

If you buy a qualified vehicle, you can deduct up to 100% of the purchase price in the same year you buy it. So you get your dollar upfront instead of quarters over time. And it only works in the first year. This is a powerful strategy to take advantage of!

Caution: Don't expect a car dealership to know these intricate rules! Make sure to research or call your accountant before you sign the dotted line.

Tip 8: Look for Tax Credits

These are great because they are dollar-for-dollar deductions from your tax bill. There are 1200+ tax credits, most of which aren't used. That is free money sitting on the table.

- Employee Retention Tax Credits:
    - A Refundable Payroll Tax Credit works up to $26,000 per employee.
    - Employees must be W2 (no 1099) and cannot be directly related to the owner. Although good for only 2020 and 2021,

you can file amended returns and get a big check now.

- If you had a downturn in revenue during covid or were forced to shut down for periods of time, you could qualify.
- Get more information at www.midasiq/erc

- Research and Development Tax Credits
    - Gets credits for investing in creating new technology or processes to try to make new products or improve existing ones
    - Requires a study to see if you qualify, but it can be very lucrative.
    - This is how big tech companies pay almost zero taxes a lot of the time.

Check out our bonus event from November, "Inflation Reduction Act 2022 Tax Credits," to check out the brand-new tax credits approved in August. You have a critical choice to make. Many of these credits enhance already-established credits, but they don't take effect until January 1st. So you can strategize your spending to see what makes the most sense for you and your business.

Tip 9: Stuff a truckload of money into your retirement accounts!

Start by identifying how much you have that you want to deposit, then look for an account that will give you the ability to deduct that. Then, you want to look at different plans' qualities to ensure they will meet your needs.

Tip 10: Use current market conditions to lock in losses

The market has been struggling this year as inflation has grown, and we've had changes with interest rates. Consider tax-loss harvesting-turning investment losses into money-saving tax breaks.

If you have gains (different from ordinary income), you can sell those stocks that are down and offset the gains. If the losses exceed the gains, you can offset your "ordinary" income by up to $3,000 a year. However, you must be careful of the Wash-Sale Rule, which means you must not buy that same stock back for 30 days, or it will disqualify you!

Tip 11: Meet with your CPA to evaluate your 20% QBI Passthrough Deduction

You may not qualify if you work in specific services. Check out the recording in your MidasIQ Vault to see if you qualify!

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