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Tax Secrets You Should Know

Your tax hack guide to taxes this year.

INCLUDES A PRINTABLE CHECKLIST!

ZZZZZZZ.....SORRY Reading a Tax Guide

Most tax guides are long, boring, and full of words that don't make sense and are written in math and tax -ese.

Even the most gun-ho tax pro is bound to fall asleep while reading tax guides, and it sets everyone else's mind spinning.

I'm here to help you unravel the mysteries of taxes and keep more of your money.

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FYI

This guide is meant for educational and informational purposes only. It is not tax, legal, or finanical advice. The tax code is always changing and everyone's situation is different. If you would like some tax help, you can give Irvine Legal a call and we can discuss your specific tax needs.

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THE WORK-FROM-HOME TAX LOOPHOLE

In 2018 when the tax law changed, W-2 employees were no longer able to deduct their home offices.

BUT

A business owner is still able to claim that deduction!

If you are a business owner and you aren't claiming a home office, you are leaving money on the table!

Here's how it works:

- Measure your office space
- Calculate what percentage of your home it takes up
- Write off that percentage of your rent/mortgage, utilities, and repairs

Example Time

Let's say your home is 1,000 sq ft, and your office is 100 sq ft.
That's 10%.

- Monthly rent: $2,000
- Monthly utilities: $200
- Total monthly costs: $2,200

Your write-off could be: $220/month or $2,640/year!

The Catch: You need to use this space ONLY for work. No gaming setups or guest bedroom combos! The IRS is serious about the "exclusive use" rule.

THE AUGUSTA RULE

If your business is set up as a corporation (S-corp or C-corp), you can rent your home to your business for up to 14 days per year for income that is 100% **TAX-FREE!**

How it works:

1. Your business pays you rent (tax deductible for the business)
2. You receive the rent (tax-free for you personally)
3. Double win!

Ways you can use it:

- Host team meetings at your house
- Run workshops
- Film content
- Hold strategy sessions

Example Time

Let's say comparable spaces in your area rent for $500/day

- 14 days × $500 = $7,000 tax-free income
- Plus your business gets a $7,000 tax deduction

Pro Tip: There's no double dipping with this and the home office deduction. Call Irving Legal to help make sure you're doing things right.

THE "SUPER-CHARGED RETIREMENT" STRATEGY

WAIT. You may be thinking that it's too early for you to be thinking about retirement, but it is never too early to be thinking about the future, and this is free money that you would be leaving on the table.

If you make **ANY** self-employed income (side-hustle included) and have no full-time employees (contractors and your spouse are fine), you'll likely have access to what might be the MOST powerful retirement account in America.

The Solo 401k.

Why This Is Such a Big Deal:

- Regular employees can only save $23,000 in their 401k With a Solo 401k? You can stack up to $69,000 in 2024 (which could also mean up to a $69,000 tax deduction).

- And yes, you can have this ON TOP OF your day job's 401k

Here's How It Works:

When you work for yourself, you're both the employee AND the boss. This means you have two pathways to add money into your Solo 401k. For 2024, it looks like this:

1. As "Employee": Stash away up to $23,000
2. As "Boss": You can add up to 25% of your net business income.
3. Total possible savings: Up to $69,000 ($76,000 if you're 50+)

To max out the total contribution of $69,000 (or $76,500 if you're 50+), your business needs to generate at least $184,000 in net income. That's because 25% of net income as the "employer" portion is what allows you to reach the max contribution.

But this is just the tip of the iceberg, here's what makes this so powerful...

THE SOLO 401K

Here's what you CAN do with a Solo 401k that you can't with a regular 401k or SEP IRA:

- You can borrow up to $50k whenever you need it and without early withdrawal penalties.
- You have the flexibility to invest in almost anything (not just random mutual funds but also stocks, ETFs, and alternative assets like real estate and startups.
- There's no income limits preventing you from making Roth contributions (unlike Roth IRAs).
- And if your provider allows you to enable automatic contributions, you can also get up to a $1,500 tax credit ($500/year for 3 years) with the EACA tax credit!

The Catch: You'll want to open your account by December 31st and contribute for the current year.

Bottom line, this isn't just for the wealthy - it's for anyone bold enough to have a side hustle or business. Whether you're driving Uber on weekends, selling on Etsy, or consulting after hours, you can totally leverage this.

Need help setting this up? Irvine Legal makes it super simple - no paperwork or fax headaches.

THE "S-CORP SALARY SLASH"

This is how smart business owners save a ton on self-employment taxes, but timing is everything.

The Problem: Every dollar of your profit gets hit with 15.3% self-employment tax (that's on top of income tax btw)
The Strategy: If you're an LLC, you can elect to be taxed as an S-Corp which lets you split income into:

- Salary (which is subject to income and self-employment tax)
- Distributions (no self-employment tax)

Example Time

Let's say your business makes $100,000

- Old Way: Pay 15.3% on all $100k = $15,300 in SE tax alone
- S-Corp Way: Pay yourself $60k salary, take $40k as distributions
- New SE tax: $9,180 (15.3% of $60k only)
- Tax Savings: $6,120 🎉

Pro Tip: While this is a great strategy, depending on where you live and until you are generating $100K, this might not be the right strategy for you, since an S-Corp means having to setup payroll, extra tax forms, and higher accountant fees so you really want to make sure you do this when it's worth the extra "hassle".

This is why it's so important to speak with Irvine Legal to assess your situation and ensure you're doing things right.

THE TRAVEL & EVENT GAME

Want to write off that trip to Miami? Here's how smart business owners can do it legally.

The Basic Rule: If it's primarily for business, it's likely deductible.

1. **Book the business stuff FIRST**
    - Conferences
    - Client meetings
    - Workshops
    - Networking events

2. **Document EVERYTHING**
    - Take pictures
    - Keep agendas
    - Save business cards
    - Record meeting notes

Example Time

4-day conference in San Diego

- Flight: $500
- Hotel: $200/night × 4 = $800
- Conference ticket: $1,000
- Meals: $100/day × 4 = $400 (50% deductible)
- **Total deduction: $2,100**

THE "FAMILY EMPIRE BUILDER"

This is how wealthy families transfer money tax-free while building their kids' futures.

The Basic Idea: Hire your kids to work in your business. They pay zero tax (up to $12,950), and you get a business deduction.

Ideas of What Kids Can Do:

- Social media management
- Photography/videography
- Basic admin work
- Modeling for product photos
- Website testing Data entry

The Double Win:

1. Business gets a deduction
2. Kid pays no tax under standard deduction
3. Money can go straight to their Roth IRA
4. They learn business skills

Pro Tip: If you start a Roth IRA for them with their earnings.... let's say you get 7% growth, $6,000/year from age 14 to 18 could set them up to be a millionaire at retirement.

THE "LUXURY TRAVEL HACK"

This is how smart business owners travel for free.

The Strategy:

1. Put ALL business expenses on rewards cards
2. Pay cards off IN FULL every month
3. Transfer points strategically
4. Travel like a boss

Best Practices:

- Get both personal and business cards
- Choose cards with big sign-up bonuses
- Use different cards for different expenses
- Stack rewards programs

Pro Tip: Don't just redeem for cash back. Transferring to airline partners can get you 3-5x value on business/first class tickets.

THE REAL ESTATE + BUSINESS COMBO

This is how you turn your biggest business expense (rent/office space) into a wealth-building machine.

The Basic Idea: Buy commercial property through your business instead of renting.

The Benefits:

1. Build equity instead of paying rent
2. Write off depreciation
3. Property appreciation
4. Rental income if you lease extra space

The Magic of Depreciation:

- Commercial property depreciates over 39 years
- $1M building = ~$25,640 tax deduction yearly
- Plus write off interest, taxes, maintenance

Pro Tip: Look for mixed-use property. Use part for your business, rent the rest.

THE GIVE-TO-GET STRATEGY

This is how wealthy business owners support causes they care about while maximizing tax benefits.

Instead of Giving Cash:

- Donate appreciated stock
- Use a Donor Advised Fund (DAF)
- Get full market value deduction
- Avoid capital gains tax

Example Time

Let's say you bought $10k of stock, now worth $50k

- Sell & donate cash = Pay tax on $40k gain
- Donate stock directly = No tax + $50k deduction

Pro Tip: Use a DAF to bunch several years of donations into one year for bigger tax benefit.

What to Do & When

That was a lot of information in just a few pages.

All of these strategies might not make sense for every company or business. For some, the timing of these strategies doesn't work out, and for others they aren't at an income level that would make it make sense. So you don't have to worry about remembering it all right now - just make sure you aren't sleeping on those end-of-year deadlines.

Talk to your tax advisor/planner to see what makes the most sense for you and your business. If you don't have one, reach out to Irvine Legal. We love helping companies protect what they build.

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Your Tax-Saving Milestones Checklist

Do These ASAP (Now!)

- Set up business entity (LLC) and bank account
- Start tracking EVERY expense
- Get a business credit card
- Set up your home office

Before December 31st

- Open your Solo 401k
- Plan any charitable giving for tax deductions
- Make any major business purchases you need to write off

$40-50k in Profit

- Consider S-Corp election
- Get a good tax pro
- Start thinking about hiring family/kids

Making $100k+

- Max out that Solo 401k ($69k limit for 2024)
- Look into real estate strategies
- Consider donor-advised funds for charitable giving
- Get serious about credit card points optimization

When You're Ready to Scale

- Explore QSBS for future exit planning
- Consider buying commercial property
- Look into R&D credits if you're innovating

FINAL TRUTH BOMB

The richest people I know didn't get there from their salary. They built businesses, used these tax strategies, and invested the savings.

Most importantly, you don't need to start big. A side hustle making $1,000/month opens up most of these strategies. And as they say, the best time to start was yesterday. The second best time is today.

Go build something awesome!

DISCLAIMERS

Any material provided is for information purposes only, and is not intended as a recommendation, offer, or solicitation to open a brokerage account, open a retirement plan, engage an investment advisor or engage in any investment strategy. The accounts, strategies and/or investments discussed in this material may not be suitable for all investors. The appropriateness of a particular account or investment strategy will depend on an investor's individual circumstances and objectives.

⊛ A Solo 401(k)'s suitability depends on individual circumstances. This statement reflects our opinion based on the Solo 401(k)'s combination of high contribution limits, investment flexibility, and tax advantages for eligible individuals. "Most powerful" in this context refers to the potential for high contributions and tax-advantaged growth, not guaranteed performance. The actual benefits and suitability of a Solo 401(k) vary significantly based on individual circumstances, including income level, age, and financial goals. Other retirement accounts may be more appropriate in certain situations. This claim is not intended to imply superiority for all individuals or circumstances. Qualified financial and tax professionals should be consulted to determine the most suitable retirement strategy for your unique situation.

Eligibility for a Solo 401(k) is subject to specific IRS requirements. Not all business owners or individuals with side income will qualify. The maximum contribution limit of $69,000 (or $76,500 for those age 50 and over) for 2023 is not universally applicable and depends on factors such as your earned income, age, and specific plan details. Please consult with a tax professional to determine your eligibility. Tax deductions and growth are subject to IRS rules and regulations. Withdrawals from traditional 401(k) accounts are generally taxed as ordinary income when distributed. Borrowing from your 401(k) may have significant tax consequences and could impact your retirement savings. Loans must be repaid according to IRS guidelines.