

Paying Too Much In Taxes?

Five Money Saving Tax Tips for 2007

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Now that the end of the year is near, it is time to review a few business tax tips for 2007. Anyone who owns a business or is planning to start a new business in 2007 should be thinking about maximizing the profitability of their business and minimizing the amount of tax that needs to be paid on that profit.

Tips for Consideration

1. Business Entity Choice

Choosing the correct entity structure to operate your business has become increasingly complicated. There are a number of considerations that must be addressed in order to select the correct entity for your particular business. Considerations include

- the number of owners
- type of industry
- risk of litigation
- exposure to self employment tax
- risk of double taxation and
- the allocation of profit and loss.

Incorrect decisions may prove costly. It is imperative that you consult a qualified small business CPA to assist you in making this decision.

2. Start Up Costs

When starting a new business, you will invariably incur expenses before you begin the actual operations of the business. Expenses such as supplies, advertising and employee training are examples of the type of costs a new business owner might incur prior to commencing operations.

Business owners may elect to deduct up to \$5,000 of these expense once the business begins operations. Start up costs in excess of the \$5,000 can be deducted on a pro rata basis over a 180 month period. Similar treatment exists for the costs of professional fees and state incorporation or organization fees that are necessary to register the company with your state government.

3. Claim All Available Deductions

There are a number of new or increased deductions available to small businesses for 2007:

- Energy efficient buildings that meet specific criteria may be eligible for a \$1.80 per building square foot tax deduction.
- The Section 179 expensing election allows you to write off the costs of machinery and equipment purchased in 2007 up to \$108,000 of eligible purchases.

- Home office deductions include a portion of your home-related expenses such as mortgage interest, real estate taxes, insurance, utilities and depreciation.

4. Claim All Available Credits

- Small employers starting retirement plans who meet various qualifications may take a tax credit of 50% of the costs of administering the plan and providing education on retirement planning for the first three years of the plan up to \$500 per year.
- Home builders that construct energy efficient homes may qualify for tax credits up to \$2,000 per home built if the homes meet certain energy savings criteria.

5. Take Advantage of Accounting Rules

Tax accounting rules allow for numerous ways to defer taxable income to the next tax year. This gives the business owner use of the profits for an additional year.

- Accrual basis businesses who ship products can delay shipping until the beginning of the following year or ship F.O.B. destination instead of F.O.B. shipping point. Title does not pass until the product reaches its destination, presumably in the following year.
- Cash basis businesses can delay year-end billings so that payments will not be received until the following year. Expenses may be prepaid at the end of the year and a deduction for the payment taken in the current year.

These are just a handful of the numerous tax savings ideas that exist for small business owners.

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You should consult a tax professional prior to implementing any of the tax planning strategies to make sure it fits your specific situation.