

7 Small Business Tax-Saving Strategies



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An Intro to Tax-Saving Strategies

Owning a small business provides various opportunities for reducing your tax bill. As a small business owner, you can deduct more expenses than a traditional W-2 employee can, which means you keep more money for yourself. Read more to learn about seven small business tax-saving strategies you can implement today!



Structure Your Business Properly

Choosing the correct entity type for your business is crucial in determining your net taxation. For many small businesses, choosing a Limited Liability Company (LLC) can provide tax advantages, such as the pass-through. That means your business income is passed to you, the owner, and taxed at a personal income tax rate. In addition, you avoid double taxation that sole proprietors pay on Social Security and Medicare taxes. The best way to determine the entity type that suits your business is to speak to your accountant or CPA. They can help determine the optimal scenario for tax savings.





Track Expenses Accurately

Tracking business expenses is a must for monitoring cash flow. Doing so allows you to see how much your business is spending and how much it is saving. Of course, keeping a close eye on expenses and accurately tracking them can feel like an administrative burden. What you really want to do is manage the operational side of your business, not keep the books. That's where a few small steps pay off in a big way. First, separate business and personal bank accounts and credit cards. Dedicated banking and spending go a long way in making expenses easy to track. Next, keep those receipts! Whether you use an old-fashioned paper filing system or a digital app to track receipts, doing so is a must. As for expense tracking, you may decide to tackle it independently if you're into spreadsheets or accounting software. However, if you're like most business owners, you're more likely to benefit from a skilled accountant or CPA who can navigate the tedious number crunching.



Remember ALL Travel Expenses

Travel expenses are some of the most common deductions. Still, some business owners overlook travel-related expenses that can significantly reduce their tax liability. That is primarily due to the confusion surrounding what is deductible regarding travel. This is especially true when combining business with pleasure. In general, business travel expenses must be related to being away from home to pursue an existing business. However, many business owners are shocked to learn that travel expenses incurred in connection with acquiring or starting a new business are not deductible as business expenses.



Uncover ALL Deductions

There are several standard tax deductions that small businesses tend to overlook. Some of those are startup costs, charitable contributions, health insurance, a home office, and debt. Another commonly missed deduction is retirement savings, which we will discuss next.



Save for Retirement

Retirement and tax planning should always be considered together. The type of retirement plan you have governs the tax benefits you are entitled to. By making contributions to a retirement plan, whether an IRA or a 401(k),

you set yourself up for immediate and future benefits regarding tax savings. While a 401(k) plan (with higher contributions for owners) is popular, other retirement account options are available for small businesses. Those are worth exploring if you want to save on taxes and fill your retirement coffers for the future.



Consider HSAs for Employees

Did you know that 100 percent of contributions you, as an employer, make to your employees' health savings account (HSA) are deductible? Employers also receive a benefit when employees make HSA contributions through payroll deductions. HSAs can be a win-win!





Hire an Accountant or CPA

While some tax-saving strategies may be obvious, so many are not. Hiring a qualified tax accountant or CPA makes sense to save time, money, and stress. They can determine the maximum tax benefits to which you are entitled, as small business owners.



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