

My Tax Saving Tips



Now that I have your attention (I hope), here are some basic tips on how to save money, prepared after consultation with my colleague, Sandy Botkin, a CPA and writer. Everybody's tax situation is unique. But here are a few hints:

Keep good records of all business expenses, substantiating their business purpose. Nine out of ten tax problems arise from the failure to take this simple, if occasionally tedious, precaution. The tax law specifically allows you to deduct necessary and ordinary business expenses incurred in carrying on a trade or business. You and I both know you incur plenty of these in network marketing. Keep a daily record, diary, or planner with all your business expenses.

Use one, or at most two, credit cards exclusively for all your business purchases. This way, you will know exactly where to look for business expenditures.

Do you travel overnight as part of your business? Of course you do. Do your clothes get dirty as a result? Then the cost of dry cleaning them is entirely tax-deductible.

Does your spouse work? If not, you should consider hiring him or her at minimum wage. Chances are, your spouse is doing plenty for your business already. Document it. Then set up an insured medical reimbursement plan for your employees (i.e., your spouse) and dependents (your kids), and deduct your contributions as a business expense. Note: if the plan is not funded by insurance, there are additional IRS rules you'll need to follow.

Do you have children? Are they older than six or seven? Then put them to work! By which I mean, you should consider hiring them for minimum wage (perfectly legal, in a family business). Their first \$4,000 or so in pay will be basically tax-free to the child because of the standard personal deduction--and totally deductible to you! A warning here: make sure that the child is actually performing legitimate, business-related work which you can document if asked. Yes, stuffing envelopes does count.

Do you have more than one car? Then try to use one solely for business purposes. This will take some self-discipline, but it will allow you to get the maximum tax benefit from the one business vehicle.

If possible, conduct sales seminars and presentations at home. In this way, the cost of all the food and refreshments (even the leftovers) will be totally tax-deductible as a business expense.

Of course, you need to prove, if asked, that this was not just a social bash! I suggest videotaping all or part of the evening for posterity, or collecting people's business cards and filing them with your receipts.

Sound tax planning lets you keep more of your money--and your peace of mind.

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