



THE DEFINITIVE BUSINESS OWNER'S TAX CHECKLIST

*Your annual guide to
maximizing your business profits
(and minimizing your tax burden)*

Small business owners face an ever-growing list of challenges just to keep their businesses afloat. We know that every dollar counts—that's why we've put together this guide highlighting ways business owners can keep as much of their hard-earned money as possible in *their* pockets and out of Uncle Sam's.

Inside you'll find:

- Steps and checks to make during each quarter of the year
- Specific tax saving strategies for both sole proprietors and S-corporations
- Insider tips from experienced tax professionals and business owners who have been where you are

Q1



Entity Structure

Q1 is the perfect time to look at your entity structure. Depending on what your business earned and/or how much you may have grown over the last few months, a change could save you significant money in the year ahead.



Update Business Strategy/Projections

Take a look at your earnings last year. How do your projections for the year ahead line up with your strategic goals? Do you have a plan in place to achieve those goals?



KPI Review

"What gets measured gets done."

Key Performance Indicators (KPIs) are used to track your business' progress toward specific goals. Review where you stand and make strategic/operational improvements, create analytical basis for decision making, and focus attention on what matters most. Be sure to also set trackable targets to measure your future success.

Sole proprietor or S-Corporation owner?

As you look toward filing your IRS forms each April, be sure to check the next two pages for some specific tax savings tactics to employ in your business this year.

Take Control of Your Business

Use this guide as a starting framework to assess your business finances each quarter. You'll find quick and easy places to look for tax savings and profit increases inside each section below.

Q2



Augusta Rule

Renting your home to your business can create an opportunity for some tax-free income to you (and a tax deduction for the business).



Hiring Your Kids

As you look toward summer you can hire your kids to work for your business. It'll decrease your taxable income while setting them up to earn money for their own futures.



Quarterly Estimate Payment Review

You've been paying estimated taxes based on last year's tax numbers. Take a look in Q2 to see if what you're earning measures up. You may need to raise or even lower your estimated tax payments.

Q3



Employee Benefits Optimization

Do you have a retirement plan? Is it optimized for you as the owner? If you have a SIMPLE IRA, are you maxing it out? If so, you can explore moving to a SIMPLE 401K. Do you have the right healthcare, sick leave, and vacation plans in place?



Operational Efficiencies

Explore your revenue margins. Where are your profits coming from? Are any areas bloated when compared to the previous year? How do your labor and cost of goods compare from year-to-year?



Continuity Document Review

Do you have disaster recovery, transition, and buy-sell agreement documents in place? Are you single or family-owned, and who is designated to take over the business? Make sure that people named are still alive and willing to take on new roles.

Q4



End-of-Year Tax Planning

Remember that tax savings takes spending. Assess the following year and note any strategies you didn't use, like hiring kids/spouse or tapping into business credit card rewards.



Business Planning for Next Year

Can you buy equipment or a vehicle to get income off the books? Can you buy or sell off inventory to adjust your bottom line?



Quarterly Estimate Payment Review

It's time to once again assess if what you've been earning this year equates to the estimated tax payments you've been making. If not, now is a great time to make up the difference.

Sole Proprietor / Schedule-C



Vehicle Expenses: There are major tax savings combining the heavy vehicle and home office deductions. Quick deductions are produced by purchasing a heavy vehicle. A home office that qualifies as a principal office eliminates commuting miles, which can dramatically increase a vehicle's business-use percentage.



Deduct Your Health Insurance Premiums with a Section 105 Plan: If you hire your spouse as an employee in your business, you may reimburse the employee-spouse for family medical expenses, turning those reimbursements into business expenses that are deductible as employee welfare benefits. You cover your employee-spouse with family coverage, plus you, the employer-spouse, get coverage.



Employ Your Spouse: Instead of paying your spouse wages on a W-2, you can reimburse his or her medical expenses. This not only reduces your FICA tax expense, but also allows you to use medical expenses as a deduction against your business income.



Cell Phone Expenses: When a sole proprietor provides an employee with a smartphone or similar telecommunications equipment primarily for non-compensatory business reasons, it is considered a working condition fringe benefit that is excludable from income. The business can reimburse the employee for the full cost of the phone expenses (including the personal use) and deduct this amount on Schedule C. The reimbursement is tax-free income to the employee. As a sole proprietor, you may deduct the business use percentage of your smartphone expenses and depreciate or expense the cost of the device itself.

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074
2022
Attachment Sequence No. **09**

Go to www.irs.gov/ScheduleC for instructions and the latest information.
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

Department of the Treasury
Internal Revenue Service

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from instructions _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 2022, check here ☐

I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1
2	Returns and allowances	2
3	Subtract line 2 from line 1	3
4	Cost of goods sold (from line 32)	4
5	Gross profit. Subtract line 4 from line 3	5
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7	Gross income. Add lines 5 and 6	7

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
10	Commissions and fees	10	20	Rent or lease (see instructions):	
11	Contract labor (see instructions)	11	a	Vehicles, machinery, and equipment	20a
12	Depletion	12	b	Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance	21
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)	22
15	Insurance (other than health)	15	23	Taxes and licenses	23
16	Interest (see instructions):		24	Travel and meals:	
a	Mortgage (paid to banks, etc.)	16a	a	Travel	24a
b	Other	16b	b	Deductible meals (see instructions)	24b
17	Legal and professional services	17	25	Utilities	25
18			26	Wages (less employment credits)	26
19			27a	Other expenses (from line 48)	27a
20			b	Reserved for future use	27b
21			28		28
22			29		29
23			30		30
24			31		31

28 Total expenses before expenses for business use of home. Add lines 8 through 27a

29 Tentative profit or (loss). Subtract line 28 from line 7

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.
Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30

31 Net profit or (loss). Subtract line 30 from line 29.

• If a profit, enter on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see instructions.) Estates and trusts, enter on **Form 1041, line 3**.

• If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in this activity. See instructions.

• If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3**, and on **Schedule SE, line 2**. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3**.

• If you checked 32b, you must attach **Form 6198**. Your loss may be limited.

32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2022



Rent from Your Spouse: If you own an office building or other assets, a rental arrangement with your spouse could significantly cut your self-employment taxes by enabling you to move income from Schedule C onto Schedule E. Schedule E, unlike Schedule C, does not give rise to self-employment taxes.



Travel Expenses: When traveling to a destination within the United States for business purposes, with the majority of your trip spent doing business, you may deduct 100 percent of your direct-route transportation expenses, plus meals and lodging for business days. Traveling outside of the United States for business purposes for fewer than seven days allows deducting 100 percent of your transportation costs getting to and from your foreign business destination—even if you work only one day—plus meals and lodging for business days.



Employ Your Child: When you hire your child, you shift taxable income from a higher tax bracket to a smaller, or even zero, tax bracket. Schedule C taxpayers are also exempt from FICA when they employ their children who are under age 18. Additionally, each child can earn up to the standard deduction amount without paying any federal income taxes.



Home Office Expenses: The home office deduction allows you to convert a portion of your nondeductible personal expenses, such as utilities and insurance, into deductible business expenses and to depreciate a portion of your home as business property. Having another office outside the home does not preclude you from claiming the home office.

S-Corporation



Reduce Owner's Wages: You can cut payroll taxes on the S-Corporation owner's salary by potentially thousands of dollars. Many owner/employees are paying too high of a salary to themselves, resulting in overpaying payroll taxes by thousands of dollars.



Deduct S-Corporation Owner's Health Insurance Premiums: The S-Corporation establishes the health insurance plan for the owner. The health insurance premiums are then included on the owner's W-2 taxable wages. As long as the owner qualifies for the self-employed health insurance deduction, it is claimed on the owner's 1040.



Employ Your Child: The S-Corporation owner must pay payroll taxes on the child's wages, but the savings come with the family's decrease in income taxes. Each child can earn up to \$12,950 in 2022 without paying any federal income taxes.



Rent Your Home to Your S-Corp: An S-Corporation owner may rent their entire home to the S-Corporation for 14 days or less during the year and get big tax deductions. The corporation can deduct the rent, and the owner can realize this income completely free of income tax.



Sell Your Home to Your S-Corp Before Converting It to a Rental Property: When a homeowner plans on converting their personal residence into a rental property, there are big tax savings by first selling the home to their S corporation. The owner can avoid taxes on the sale with the home-sale exclusion of \$250,000 gain (\$500,000 if married). Additionally, you increase the rental property's depreciable basis which provides for greater depreciation deductions for the property.

Form 1120-S		U.S. Income Tax Return for an S Corporation		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. Go to www.irs.gov/Form1120S for instructions and the latest information.		2022
For calendar year 2022 or tax year beginning , 2022, ending , 20				
A S election effective date		Name		D Employer identification number
B Business activity code number (see instructions)		Number, street, and room or suite no. If a P.O. box, see instructions.		E Date incorporated
		City or town, state or province, country, and ZIP or foreign postal code		F Total assets (see instructions)
C Check if Sch. M-3 attached <input type="checkbox"/>				\$
G Is the corporation electing to be an S corporation beginning with this tax year? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No				
H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination				
I Enter the number of shareholders who were shareholders during any part of the tax year				
J Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes				
Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.				
1a Gross receipts or sales		1a		
b Returns and allowances		1b		
c Balance. Subtract line 1b from line 1a				1c
2 Cost of goods sold (attach Form 1125-A)				2
3 Gross profit. Subtract line 2 from line 1c				3
4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)				4
5 Other income (loss) (see instructions—attach statement)				5
6 Total income (loss). Add lines 3 through 5				6
7 Compensation of officers (see instructions—attach Form 1125-E)				7
8 Salaries and wages (less employment credits)				8
9 Repairs and maintenance				9
10 Bad debts				10
11 Rents				11
12 Taxes and licenses				12
13 Interest (see instructions)				13
14 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)				14
15 Depletion (Do not deduct oil and gas depletion.)				15
16 Advertising				16
17 Pension, profit-sharing, etc., plans				17
18 Employee benefit programs				18
19 Other deductions (attach statement)				19
20 Total deductions. Add lines 7 through 19				20
21 Ordinary business income (loss). Subtract line 20 from line 6				21
22a Excess net passive income or LIFO recapture tax (see instructions)		22a		
b Tax from Schedule D (Form 1120-S)		22b		
c Add lines 22a and 22b (see instructions for additional taxes)				22c
23a 2022 estimated tax payments and 2021 overpayment credited to 2022		23a		
b Tax deposited with Form 7004		23b		
c Credit for federal tax paid on fuels (attach Form 4136)		23c		
d Add lines 23a through 23c				23d
24 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>				24
25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed				25
26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid				26
27 Enter amount from line 26: Credited to 2023 estimated tax Refunded				27
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
Sign Here		May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No		
Signature of officer		Date	Title	
Print/Type preparer's name		Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
Firm's name		Firm's EIN		
Firm's address		Phone no.		
Paid Preparer Use Only				
For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form 1120-S (2022)				



Cell Phone Expenses: When an S-Corporation provides an employee with a smartphone or similar equipment primarily for non-compensatory business reasons, it is considered a working condition fringe benefit that is excludable from income. The corporation can reimburse the employee for the full cost of the phone expenses (including personal use) and deduct this amount on the corporate tax return. The reimbursement is tax-free income to the employee.



Home Office Expense Reimbursement: When the S-Corporation owner uses a home office, the corporation may reimburse him or her for the expenses. This is a deduction for the corporation and tax-free income to the owner. You may deduct this as "Office Expenses" on the corporate return.



Depreciation Expense Reimbursement: The S-Corporation can reimburse the owner for depreciation expenses (as well as Section 179 expenses) related to businesses of a vehicle and home office when the asset is used in the business. This is a deduction for the corporation and tax-free income for the owner. You may deduct this as "Reimbursement for Employee Business Expenses."



Vehicle Expense Reimbursement: There are major tax savings combining the heavy vehicle and home office deductions. Quick deductions are produced by purchasing a heavy vehicle. A home office that qualifies as a principal office eliminates commuting miles, which can dramatically increase a vehicle's business-use percentage.



Travel Expenses: When the S-Corporation owner incurs travel expenses in connection with work in the business, it's imperative the owner seek reimbursement from the corporation. In order for the corporation to deduct these expenses, the owner must submit an expense report and be reimbursed.

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