

Special Report By Drew Miles, Creator of:  
**The Millionaire Maker Mentoring Program**

# **“Eight Tax Saving Strategies for Home Based Business Owners”**

**How to stop overpaying your taxes legally using your  
government’s tax loopholes to Your advantage!**



**By Drew Miles, Esq.**

## Minimizing Your Taxes

The following information, although primarily focused for Americans, covers tax saving strategies which **generally** apply to all home based businesses in most free nations. If you live and operate your business outside of the US you need to confirm what applies to your country.

The key to obtaining the maximum amount of allowable business deductions is for you to **shift your efforts** from maximizing your income through salary and wages, which are completely taxable to increasing the income you receive through your own (home based) business. This is particularly true of businesses that generate passive income.

The reason this is important is that wages and salaries offer you virtually **no** tax deductions, while Congress has afforded the owners of businesses a wealth of **tax deductions**. By taking advantage of these business deductions, you can reduce your taxes by \$5,000 to \$15,000 or more per year.

This report is designed to give you a **working** knowledge of just some of the many strategies that are available to you as a home based business owner. But this should just be the beginning of your education process.

**It's imperative that you seek the advice of a good tax accountant when applying these strategies.** They can be invaluable in assisting you in their proper application for your situation.

Please also note that you must **properly** set up your business enterprise (Company, Partnership, LLC etc), have a profit motive behind your business, run it as a business (not a hobby) and **document** each of your business expenses.

It is also important that you follow the specific rules set up by Congress and the tax courts with regard to each type of deduction, rather than just haphazardly taking deductions.

There are **BIG penalties** imposed if you fail to keep good records. However, along with you tax accountant, we can be of continued assistance in this regard (more on this later).

### **Strategy 1: HOME OFFICE DEDUCTIONS**

Tax law allows you to **deduct all expenses** that are reasonably incurred in the course of doing business. These include rent, phones, supplies, and repairs made to the office portion of your home. In addition, you can also deduct the cost of office furniture, for example your desk and file cabinets, rugs, office decorations and office cleaning.

### **Strategy 2: ENTERTAINMENT**

If you take a business prospect out to lunch and discuss business, you may deduct Fifty Percent (50%) of the cost of the meal. This includes **friends and family** with whom you discuss business. Keep in mind that any such expenses over \$75 require a receipt.

Further, if the meal is part of a **sales presentation**, then one hundred (100%) percent is deductible. So, for example, if you make a sales presentation to a group of businesses people and bring lunch into their place of business, you can deduct the entire cost of the meal.

Also, if you have a business party at your home and invite your business associates, you can, under certain circumstances, deduct the entire cost of the party. It is important that the party have a **business purpose** and that it is documented (i.e. take a picture of the sales signs located in various parts of the house).

In addition, home business **entertainment** is one hundred (100%) percent deductible. For example, if you invited another couple to your home to discuss the virtues of your home based business, the entire cost of entertaining is deductible.

Lastly, the cost of **tickets to sporting events**, golf outings movies, etc., can be deducted so long as the event either directly precedes or follows a business meeting and it is properly documented.

### **Strategy 3: VACATIONS AND TRAVEL**

If you have a legitimate business purpose, and follow IRS guidelines, the entire cost of your trip (including airfare, hotel, meals, ground transport, dry cleaning, etc.) can be deductible. These include both transportation expenses and on-the-road expenses. The guidelines roughly provide that all travel of less than one week (excluding the day of departure) and travel of one week or more where 75% of the travel days are spent on business can be included. And, for purposes of this section, a work day is equal to 4 hours plus one minute.

Because most home based businesses can be conducted anywhere in the world, your destinations are **not limited geographically**. Once again, you must keep receipts for anything over \$75. This includes your hotel and airplane ticket stubs.

### **Strategy 4: AUTOMOBILE EXPENSES**

When traveling in furtherance of your home based business, you can **deduct your mileage** (i.e. approximately 30 cents per mile) to sales calls, meetings, presentations, etc. This applies even if the business meeting is conducted with one of your friends or relatives.

### **Strategy 5: YOUR CHILDRENS COLEGE EDUCATION & WEDDING**

The IRS does **not** allow you to directly deduct these costs, however, with a little thinking; you can set up your business affairs so that you get the same net result.

The first step is to hire your **children as employees** of your home based business. You're probably already giving them an allowance!

For instance, they can help you with your paperwork and filing, mailings, and office clean-up. Case law says that a **seven year old** can provide these services but it does not put a lower limit on the child's age.

As your employee, you can pay the child **\$4,650 per year free of Federal and State income tax**. Also, your child can put up to \$6,550 per year in an IRA – that's \$6,550 per year, per child, tax free. Over the course of eleven (or more) years, this amounts to \$77,000 per child in savings. Invested properly, this can grow to \$500,000 to \$1,000,000 which can then be used by your child to pay for his or her education, wedding or first house.

### **Strategy 6: EDUCATION AND SEMINAR EXPENSES**

Employees of your home based business can deduct one hundred percent (100%) of the cost of **any education** that they receive, up to \$5,200.

The education does **not** have to be business related. So, this would include golf lessons, fishing lessons, cooking lessons, flying lessons, and, of course anything that is related to your business such as sales and marketing, bookkeeping and record keeping, etc.

### **Strategy 7: MEDICAL REIMBURSEMENT PLAN**

Employees of your home based business can deduct one hundred (100%) percent of their **medical expenses**, even those that are not covered by their traditional medical insurance plan. These can include such things as vitamins and supplements and chiropractic care as well as such things as deductibles and co-payments.

### **Strategy 8: BUSINESS GIFTS**

Tax law allows you to give business gifts of up to \$25 per person per year. However, **if the gift is made to a business** where there is no single person designated, there is no limit. If you give gifts of entertainment, there is no \$25 limit on the gift.

### **Record Keeping Tip:**

In order to properly separate your business expenses from your personal ones, you should use separate credit cards; one that is used solely for business and one that is used solely for your personal expenses.

## Estimated Savings from These Strategies

These figures are considered conservative; your savings may be significantly greater

<b><u>Strategy 1:</u></b>	Home office deductions, including phones, equipment, Furnishings, etc. Supplies	\$1,000 per year \$2,000 per year
<b><u>Strategy 2:</u></b>	Entertainment. Meals-assuming \$20/wk for 50 weeks - \$1000 x 50% Sales presentations \$100 each - 1 per month \$1,200 @ 100% Business Parties \$400 ea. X 2 parties @ 100% Business Entertaining \$100 ea. x 6 get-togethers x 100%	\$ 500 per year \$1,200 per year \$ 800 per year \$ 600 per year
<b><u>Strategy 3:</u></b>	Vacations and travel \$2,000 per vacation x one vacation	\$2,000 per year
<b><u>Strategy 4:</u></b>	Automobile Expenses. 5,000 business miles x 33 cents	\$1,650 per year
<b><u>Strategy 5:</u></b>	Your children's college and wedding (or first house) \$7,000 per child x 2 children (average)	\$14,000 per year
<b><u>Strategy 6:</u></b>	Education and Seminar Expenses Assuming 2 seminars per year @ \$500 each	\$ 1,000 per year
<b><u>Strategy 7:</u></b>	Medical Reimbursement Plan. Average Savings for a family of 3	\$ 2,750 per year
<b><u>Strategy 8:</u></b>	Business Gifts-Average \$1,500.	\$ 1,500 per year

Average Savings per year: (w/ Children)	\$29,000
(w/o Children)	\$15,000

Tax Savings: (w/children)	\$10,000 approx
(w/o children)	\$ 5,000 approx

**Note:** These savings are being generated **every year** you use these strategies. Their cumulative effect can easily add up to hundreds of thousands of dollars over your working life.

## Summary

The strategies outlined above are designed to give you an overview and good working knowledge of just some of what is available to you. They are by no means the only strategies available to lower your taxes. As each person's situation is different, **it is important that you work with a tax professional to make better use of the deductions that are available to you.**

Also, for Americans, there are additional strategies available to "C" corporations that can further reduce your tax liability. These include income shifting and incorporating in the state of Nevada.

If you are sick and tired of **paying too much tax** and want to learn how to take advantage of these and more advanced wealth building secrets used by the rich for even bigger tax savings, then **The Millionaire Maker Mentoring Program** may be what you're looking for.

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