

HOW TO MAXIMIZE YOUR BUSINESS TAX DEDUCTIONS FOR 2016

It's not too late to take advantage of the year-end tax deductions for business owners. Here we list 7 ways you can save on your taxes.



1. Accelerate deductions and defer income if possible. There are many income items and expenses you may be able to control, such as year-end bonus payments or delaying the collection of business debts, rents, and services payments.
2. Make an S-Election on an LLC. If you've paid a lot of self-employment tax in the past and had an LLC, you can elect to be taxed as an S-Corp, retroactively. There is paperwork that needs to be filed, so don't delay on this one. Also, if you do this, you will need to do a payroll cycle for yourself prior to year-end.
3. Increase or lower your net income. As an S-Corp owner or newly-elected LLC, you must complete payroll before year-end. Don't wait until the end of the fourth quarter to do this (it could trigger an audit flag). Now is also good time to adjust your payroll to the proper amount if you've already had some paychecks this year.
4. Add your kids to the payroll. If your children provided services to your company, remember to add them to the payroll to help maximize taxes. If the child is less than 18-years-old and you are a sole proprietor or single-member LLC, the business is not required to withhold FICA or payroll taxes. Note: [The Kiddie Tax](#) does not apply in this situation.
5. Implement a 401(k). Small business owners can deduct up to \$51,000 with matching. Choose the payroll level carefully in order to maximize this benefit.
6. Mileage deduction is also a useful strategy, especially when combined with a new company vehicle purchase. The current deduction for a 6-ton vehicle is about \$25,000 depending on the cost of the vehicle and business-use percentage.
7. Claim the Home Office. If your home office is your primary place of business, be sure to invite clients there and to add it to the expenses on your return according to the [Safe Harbor Act](#).

Additional 2017 Items to Note

In addition to tax deductions for 2016, consider these changes in early 2017 that impact your business.

- W-2 and 1099 Filing Deadlines Compressed. The deadlines for filing the Form W-2 with the Social Security Administration and the Form 1099-MISC with the Internal Revenue Service are changing

next year. Starting in 2017, for the 2016 reporting year, both the [W-2 and 1099-MISC](#) recipient copies need to be submitted by January 31, whether by paper or electronic filing.

- IRS Updates [Per Diem Rates for Lodging and Meals](#). Transportation between places of lodging or business and places where meals are taken, and the mailing cost of filing travel vouchers and paying employer-sponsored charge card billings are impacted.
- New I-9 Form. The [new I-9 Form](#) includes error-checking features, structural changes, and some new fields.

Free Download

Download this list of Year-End Business Tax Tip Checklist to help you increase your business deductions.

There are many tax-break options for small- to medium-sized businesses. [Give us a call](#) to help you find the right tax breaks for your business and personal situation.