30 Tax Strategies Every Business Owner Should Know

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The 30 Point Tax Strategy Checklist

1. ☐ Utilize a Roth with Chunking – Not a Traditional IRA
2. ☐ State Tax Strategic Planning – Changing Domicile
3. ☐ Start with Coverdell for Kid's Education, NOT the 529
4. ☐ Utilizing a Health Savings Account (HSA)
5. ☐ Staying Ahead of IRS Penalties & Interest
6. ☐ 1040 Schedule 1 & 2 Dynamic Planning
7. ☐ Know the 'Tax Credits' That May Apply to You
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30. ☐ Understanding and Using the Trifecta to Bring it All Together

WELCOME

If you're here, it means...

- You're a professional who wants to keep more of your hard-earned money
- You've wondered if there's more you could be doing to legally lower your tax bill
- You suspect your accountant might not be telling you everything you need to know

Sound familiar? Good News: whether you're a **Business Owner, Real Estate Investor, Financial Advisor, CPA, EA, or Insurance Agent...**

you downloaded the right book.

So many people think taxes are just about **plugging & crunching numbers**... and there's nothing they can do beyond what their accountant tells them.

They couldn't be more WRONG.

The TRUTH is, **most accountants are reactive**—they file your taxes, but they don't **proactively plan for your financial success.**

That's the difference between those who just "*do taxes*" and those who build wealth.

My most successful clients don't settle for the standard deduction. They use strategies. The same high-level strategies the rich take advantage of every year.

The same strategies that are featured in this eBook.

No matter your goals, I want to show you how tax savings can be the key to accelerating your success and helping you truly live your BEST **American Dream.**

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Discovery Call

1 UTILIZE A ROTH WITH CHUNKING – NOT A TRADITIONAL IRA

I think a Roth IRA is great because it's like a magic piggy bank that helps you avoid paying taxes on the money you put into it. I'm a firm believer that every American can supercharge their financial journey by funding a Roth IRA consistently each year!

Believe me, it's worth it because you won't have to pay taxes on the money you take out down the road.

Consider these 3 points:

3 STRATEGIES IN THIS "TAX-FREE PLAN"

1 **"Match and Out"** – If you have access to a 401(k) match, take it—it's free money! But don't stop there. Once you've maxed out the match, move your focus to a Roth IRA for more flexibility and tax-free growth. If you still have extra funds to invest, consider putting money into an HSA (for medical savings) or a college fund. Then, cycle any remaining savings back into your 401(k) for even more tax advantages.

2 **Everyone can have a Roth and Fund it** – Think you don't qualify for a Roth IRA or Roth 401(k)? Think again. No matter your income level or age, there's almost always a way to fund one. The key is having earned income. **BONUS:** If you run a business, you can legally pay your children for legitimate work—allowing them to contribute to a Roth IRA early and set themselves up for tax-free wealth growth decades in advance.

3 **Convert in Chunks to a Roth (aka "Chunking")** – Already have money in a traditional IRA or 401(k)? You don't have to move it all at once. Instead, convert it gradually (in chunks) into a Roth IRA by transferring smaller amounts each year. This way, you control your tax liability and avoid unnecessary penalties.

No one knows what future tax rates will be, but here's what you can control: locking in tax-free growth today. Pay the tax now, let your money grow tax-free, and watch your wealth build over time.

You'll be glad you did.

2 STATE TAX STRATEGIC PLANNING - CHANGING DOMICILE

More Americans are relocating to other states to cut down on state taxes...and it's easy to see why. Presently, ten (10) states have income taxes of 7% or higher. California tops the list at 13.3%, followed by New Jersey, New York, Hawaii, all with income tax rates exceeding 10%.

There are nine (9) states that have NO income tax at all:

Alaska	South Dakota	Texas
Florida	Tennessee	Washington
Nevada	New Hampshire	Wyoming

Five (5) more states don't tax 401k, IRA, or Pension distributions:

Illinois	Mississippi	Pennsylvania
Iowa	New Hampshire	

ASK YOURSELF...

Can you work from home? Can you work on the road? Do you really need to live in your current state of residence?

Take a beat and do the math. Think long-term. Establishing residency in another state isn't as scary as it seems, and it could lead to significant savings on state taxes.

In the end, all you can do is what's best for YOU!

3 START WITH COVERDELL FOR KID'S EDUCATION, NOT THE 529

Forget the usual college savings advice (i.e. 529 Account). Let's shake things up and start with something different – the Coverdell Education Savings Account, for instance.

Sure, everyone's hyped up about the 529 Account, thanks to Wall Street's flashy marketing. But here's the scoop: it's not all it's cracked up to be. High fees, limited investment control, and lackluster returns? No thanks!

The Coverdell empowers you to "self-direct" their investments. This puts you in the driver's seat, with the ability to choose where to invest based on your expertise, not some cookie-cutter options from Wall Street.

3 STEP APPROACH IN SAVING FOR YOUR CHILDREN'S COLLEGE

1. **Start with the Coverdell.** Why? Because you have the MOST CONTROL over it. So, fund it first and invest in what you know best for the highest returns. **(See Strategy #8 below)**

2. **Next, use the Roth IRA to supplement College Savings.** All roads lead back to the Roth...and for good reason. Contributions are tax and penalty-free for education expenses, while earnings inside the account grow tax-free.

3. **Finally, fund the 529 with discretionary income.** True, it allows you to save the most money, but also offers LESS CONTROL and lower returns, which is why it's at the bottom of my list. Just make sure you're not sacrificing your retirement savings for it.

This three-tiered approach is like building a ladder to success – with each rung bringing you closer to your savings goals.

Remember, you have options...beyond what Wall Street is telling AND selling!!

4 UTILIZING A HEALTH SAVINGS ACCOUNT (HSA)

The Health Savings Account (HSA) is like a secret weapon for both health and wealth! Despite its incredible benefits, many people have yet to hear of or even use it. But that's about to change!

Here's why you MUST consider the HSA:

THE HSA IS AVAILABLE TO MILLIONS OF AMERICANS, AND THEY DON'T EVEN KNOW IT.

- **Saves Taxes:** Get an above-the-line tax deduction no matter what your income level.
- **Tax-Free 'Bucket':** Create a portable tax-free savings account, like a Roth IRA for healthcare expenses.
- **Flexible Investments:** You can build and manage their HSA with any type of investment, not just traditional Wall Street products. **(See Strategy #8 below)**
- **Lower Insurance Premiums:** Potential savings on health insurance premiums with a high-deductible plan.
- **Cut Healthcare Costs:** Save money on healthcare expenses by paying cash for services.
- **Tax-Free Withdrawals:** Access cash tax-free at any age for a variety of medical expenses (See IRS Publication 502 for a list of qualifying medical expenses.)
- **Take Control:** Be proactive in managing your healthcare strategy and take control of your health expenses.

Overall, the HSA empowers you to take charge of your healthcare plan by saving you money on taxes, cutting down on out-of-pocket medical expenses, and even building a tax-free stash for future medical needs.

5 STAYING AHEAD OF IRS PENALTIES & INTEREST

Understanding tax deadlines and responsibilities is CRUCIAL for saving money on taxes. Penalties and interest can pile up fast if you miss them. That's why you need to always stay one step ahead of Uncle Sam's collectors.

THE 3 MOST COMMON PENALTIES THAT SMACK TAXPAYERS EVERY YEAR INCLUDE:

1 LATE PAYMENT PENALTY ON PERSONAL TAXES

This kicks in if taxpayers don't pay any remaining taxes they owe for the prior year by April 15th. (0.5% per month, up to 25% plus interest at the IRS's adjusted rates for 2025.)

2 FAILURE TO FILE PENALTY ON THE 1040

This penalty applies if a taxpayer fails to file an Extension, and misses the April 15th deadline, OR misses the October 15th deadline with an Extension. (5% per month, up to 25% + interest, AND is combined with the Late Payment Penalty.

3 PENALTY FOR UNDERPAYMENT OF ESTIMATED TAXES

If a taxpayer didn't pay at least 90% of this year's tax bill or 100% of last year's (110% if you made over $150K), a penalty is coming their way. The IRS doesn't like waiting until April 15th for its money. They want taxpayers to pay up throughout the year to avoid leaving them hanging. Plus, if you pay less early and more later, you'll still get slapped with a penalty

Yes, living in the U.S. has its costs, but being organized, disciplined, and efficient is worth its weight in gold when the tax crunch begins.

To help *my* clients & fellow business owners have a better system in place and stay on top of tax and legal requirements, I created the Annual MJK Calendar with resources and listing all the important deadlines. Pre-order your 2025 Calendar here!

6 1040 SCHEDULE 1 AND 2 DYNAMIC PLANNING

Stay with me on this one! The Tax Cuts and Jobs Act of 2018 shook up the tax game and left a lasting impact on the entire landscape, especially when it comes to Schedule A. It's like navigating a new terrain where writing off State Taxes, Property Taxes, and Mortgage Interest has become more of a challenge.

But that’s no reason for you to be fearful, because alongside these changes, 1040 Schedule 1 & 2 have stepped onto the scene, offering a neat, simplified summary of various forms, deductions, and credits.

To conquer this new, shifting tax landscape, here are some strategies for you to think about.

- **If the SALT deduction feels restricted on Schedule A, small business owners with pass-through entities can explore the "pass-through entity tax" workaround. This strategy allows the company to cover and deduct state income taxes at the entity level, bypassing the $10,000 SALT cap for individuals. State taxes flow through on the K-1 as fully deductible business expenses, maximizing deductions legally.**

- **Double up on charitable deductions in a single year instead of spreading them out. "Bunching" contributions lets clients itemize in high-donation years and take the standard deduction in others, maximizing tax benefits.**

- **Dive into Page 2 of Schedule 1 to uncover overlooked deductions like student loan interest, educator expenses, and HSA contributions. These small but impactful deductions can add up, so be sure to review every line for hidden savings.**

- **Take the optional SE Tax assessment rather than a schedule C.**

7 KNOW THE 'TAX CREDITS' THAT MAY APPLY TO *YOU!*

There are some pretty amazing tax credits available that many taxpayers don't even know about. Sure, some credits phase out if you rake in too much money each year, but the real treasure IS out there!

You just have to be willing to look for it.

CONSIDER THE FOLLOWING:

PERSONAL TAX CREDITS ON YOUR 1040	SMALL BUSINESS OWNER TAX CREDITS
Earned Income Tax Credit	Credit for Small Employer Pension Set-up
Child and Dependent Care Credit	Small Business Health Care Tax Credit
Child Tax Credit	Business Clean Vehicle Tax Credit
Savers Tax Credit	Investment Tax Credit
Lifetime Learning Credit	Federal Fuel Tax Credit
American Opportunity Tax Credit	Credit for Family Medical Leave
Nonbusiness Energy Property Tax Credit	Work Opportunity Credit
Residential Clean Energy Credit	Small Business R&D Tax Credit
Clean Vehicle Tax Credit	
Adoption Tax Credit	

Tax credits can be tricky and certain variables can come into play when trying to snag them. Income levels can have an effect and sometimes the cutoffs are lower than you'd think.

8 SELF-DIRECT YOUR RETIREMENT ACCOUNTS

The rich are doing this… and YOU should be too!

If your goal is to grow as much tax-deferred, OR tax-free wealth as they can, you must urge them to think beyond what Wall Street is offering.

Using a Roth IRA (yep, good ole' Roth again) can help you build tax-free wealth, especially if you invest in things you know well.

This enables you to earn more and pay less fees than with 'traditional' Wall Street options.

THIS IS THE FLEXIBILITY YOU'VE BEEN YEARNING FOR! There is NO penalty, and NO tax to move your IRA to a 'custodian' or 'trust company' that allows you to self-direct.

Self-Direct Your Retirement Account into ANY of the following:

Rental Properties
Private Notes
Real Estate Developments
Small Business
Crowd Funds
Start-Ups
Cryptocurrency
NFTs
Precious Metals
etc, etc, etc

Catch our Weekly Podcast on the topic.

CLICK HERE

9 BUILDING A SMALL BUSINESS... EVEN A SIDE HUSTLE

If I want my clients to boost their income, grow their personal wealth, and cut down on their biggest expense—taxes—**I ENCOURAGE THEM TO START A SMALL BUSINESS.**

This Strategy is the Key to **ALMOST ALL** of the remaining strategies on this Ultimate Checklist!

Having a regular day job is fine, but real wealth often comes from owning businesses and/or rental properties. In all truth, having **ANY** kind of rental property (real estate) is like running a small business!

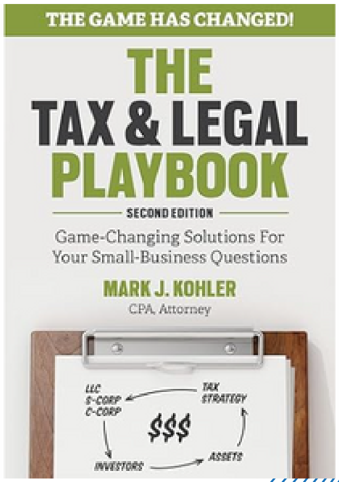
If you have a small business, there's a cool trick for saving taxes with it. I call it, "Personal Conversion Expenses".

Millions of Americans **WITHOUT** a small business pay taxes and then use their hard-earned money to cover a variety of "personal expenses", all without the benefit of a tax deduction.

Now, think about this from the business owners perspective: what if your personal spending could magically transform into legitimate business expenses?

In other words, you could "convert" them into valid business expenses ("Personal Conversion Expense").

That sounds like a clever way to make your money work for *you*!



9 BUILDING A SMALL BUSINESS... EVEN A SIDE HUSTLE (CONT.)

Before we go any further, let's clear something up: Starting a business isn't about gaming the tax system or losing money just to write off expenses. That's not the goal—and it's definitely not how wealth is built.

But here's what is true: Owning a business is one of the smartest financial moves you can make. It gives you more control over your income, your taxes, and your future.

Here are the KEY points I like to keep in mind when advising my clients:

1. Make more money and save taxes at the same time to create a lower 'effective tax rate'!
2. Have another source of income to fall back on.
3. Embark on a venture you love.
4. Turn your hobby into a business that MAKES YOU money.
5. Have the independence to run a business the way you think it should be owned and operated.
6. Have the ability to hire family members to pass on a legacy of entrepreneurship.
7. **Convert personal expenses to business expenses for a legitimate tax write-off.**
8. The MOST important reason to have a small business: It's the best way to build more wealth!

Bottom line: Starting a business isn't just about making money—it's about keeping it, growing it, and controlling your financial future. And the tax benefits? That's just the icing on the cake.

10 BUYING RENTAL PROPERTIES

When it comes to the tax benefits coupled with a quality investment strategy, it's no surprise that most wealthy people in America own rental property.

So...for the past 10+ years I've been urging my clients to consider purchasing a cash flow producing rental property, or a part thereof with partners, every year. Buying rentals builds wealth, not to mention saves taxes!

FIVE PRIMARY TAX BENEFITS:

1. TAX-DEFERRED GROWTH
2. CAPITAL GAIN TREATMENT UPON SALE
3. TAX WRITE-OFFS AS A SMALL BUSINESS AND POSSIBLE FLOW-THRU LOSSES THAT CAN OFFSET OTHER INCOME
4. TAX-FREE CASH FLOW
5. EXIT STRATEGIES SUCH AS 1031 EXCHANGES, OPPORTUNITY ZONES, AND CHARITABLE REMAINDER TRUSTS

If you own rental properties, analyze your personal balance sheet and the amount of rental property own. Also, be sure you're taking advantage of all the tax strategies related to holding real estate.

(See Strategy #21 below)

UTILIZING THE S-CORPORATION WHEN THE TIME IS RIGHT

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It's scary that so many aspiring business owners have been led to believe that forming an LLC is the ultimate first step in launching a business – but that's far from the truth!

Here's the kink, as a business owner, if you sell things, earn commissions, buy and sell properties, or receive a 1099 form, you'll likely generate ORDINARY INCOME. This means individuals and LLCs will need to pay a self-employment tax of 15.3% on a significant portion of those earnings.

One great thing about an S-Corp is that it helps business owners like you reduce the self-employment tax burden. In simple terms, you pay a portion of the self-employment tax through payroll from the S-Corp, while any other income from profits flows through without being subject to self-employment tax.

Like anything else, this strategy can be misused, abused, and eventually lead to chaos if not executed properly. However, the potential savings are too significant to overlook.

12 HEALTH CARE WRITE-OFFS FOR SMALL BUSINESS

Small business owners have unique opportunities to save on healthcare expenses while lowering their tax bills. Whether you're running a side hustle or managing a full-scale business, these strategies can deliver substantial benefits.

3 OPTIONS FOR YOU TO CONSIDER:

Deduct 100% of Health Insurance Costs
Small business owners can deduct 100% of their health insurance premiums, including family coverage. This applies even if they don't provide health insurance to their employees. It's a straightforward way to save money on taxes while covering essential healthcare needs.

Use a Health Reimbursement Arrangement (HRA)
For those with higher-than-average medical expenses, HRAs are a game-changer. Business owners can set up an HRA to reimburse themselves and their employees tax-free for qualified medical costs. Unlike Schedule A deductions, which are limited, HRAs offer full flexibility and control over healthcare spending.

Take Advantage of the Small Business Health Insurance Tax Credit
This credit rewards small businesses that contribute to their employees' health insurance premiums. Eligible businesses can receive a dollar-for-dollar tax credit, significantly offsetting costs. It's available to businesses with fewer than 25 full-time employees and average wages below a certain threshold.

As a small business owner, I encourage you to keep detailed records and consult with a tax advisor to ensure they maximize these healthcare savings while staying compliant with IRS requirements. These strategies not only help save money, but also demonstrate the value of proactive planning for both business and personal financial health.

13 AUTO, TRUCKS, RVS, AND MORE!

Many business owners miss out on the auto deduction. I don't want you to be one of them.

First and foremost, **the vehicle deduction isn't the 'travel expense.'** The auto deduction is a separate line item altogether and relates to the expenses for the cars, trucks, RVs, or motorcycles used in your business.

Remember this includes ALL of their vehicles as long as they have some sort of business use. Even if you own the vehicle, you can still claim it as a business expense.

No need for fancy decals or the business name on the side. Just make sure you're using it for business-related tasks and travel.

THERE ARE TWO MAIN OPTIONS TO WRITE OFF AUTO EXPENSES AND IT ALL STARTS HERE!!

1 **Mileage.** Use your vehicle's mileage to easily deduct business use expenses. In 2025, the write-off is 70 cents per mile for strictly business usage. (NOTE- The IRS will change and update this rate on a regular basis).

2 **Actual Expenses.** Track fuel, repairs, maintenance, insurance, tires, and depreciation (or lease payments if leasing) to deduct actual automobile expenses. Remember, **you can't use mileage with this method.**

14 MAXIMIZING THE DINING WRITE-OFF

It's stunning to think how many small businesses owners in the U.S. are overlooking and underutilizing this expense. Presently, a qualified business meal 'Dining' is 50% deductible.

While it would be nice to have it 100% deductible again (as it was between 2021 - 2022), this is still a valuable write-off that every business owner should use when they can...while they can.

Today, the following expenses would be 50% deductible:

- **Dining out with a client or contact discussing business**
- **Dining out with an employee talking about operations**
- **Getting 'take out' from a restaurant and bringing it back to the office for an employee meeting**
- **Eating dinner out by yourself while traveling for business**

The 50% write-off extends to specific items as well, including:

- **Coffee maker, water cooler, and snacks in the company kitchen**
- **Food bought at the grocery store for a staff meeting or for employees at the work site**
- **Traveling for business and picking up groceries for the Airbnb or hotel**

15 PAYING CHILDREN AND GRANDKIDS

I urge every entrepreneur out there to embrace the American tradition of hiring family and kids in your business or rental property! It's a time-tested strategy worth exploring. As business owners, this is one strategy you should be taking FULL advantage of.

THE KEY PRINCIPLES TO REMEMBER ARE:

- When kids work in the business, owners can deduct their pay from their taxes.
- It's smart to shift income to your children's tax bracket since you're going to support them anyway. Instead of paying taxes at their rate and then giving them money, pay your kids for working in the business.
- If your children are under 18, you don't need to give them a W-2 or a 1099 form.
- Adult children who provide contract services (not as regular employees) can receive a 1099 from your business.
- Grandchildren can work under your children's supervision, using the same tax-saving strategy. In this case, you would give a 1099 to your children, who then hire the grandchildren to help with business services.

With all of this mind, I welcome you to dive deeper into the exciting world of leveraging this strategy with your family! There are countless procedures and subtle nuances to explore.

16 WHEN AND HOW TO PAY YOUR SPOUSE

Before you rush to put your spouse on the payroll, take a step back and weigh the pros and cons first, and find a strategy that works best for your business.

MISCONCEPTIONS

1 SO THE NON-WORKING SPOUSE CAN CONTRIBUTE TO AN IRA – WRONG
Under specific tax law to protect the 'stay at home parent', as long as one spouse has earned income, BOTH can contribute to an IRA.

2 TO GET A SOCIAL SECURITY BENEFIT FOR THE NON-WORKING SPOUSE – WRONG
The government has long protected the 'stay at home parent' allowing them to receive a good piece of Social Security based on the earnings of the 'working out of the home spouse'. Putting them on payroll could be a waste of money.

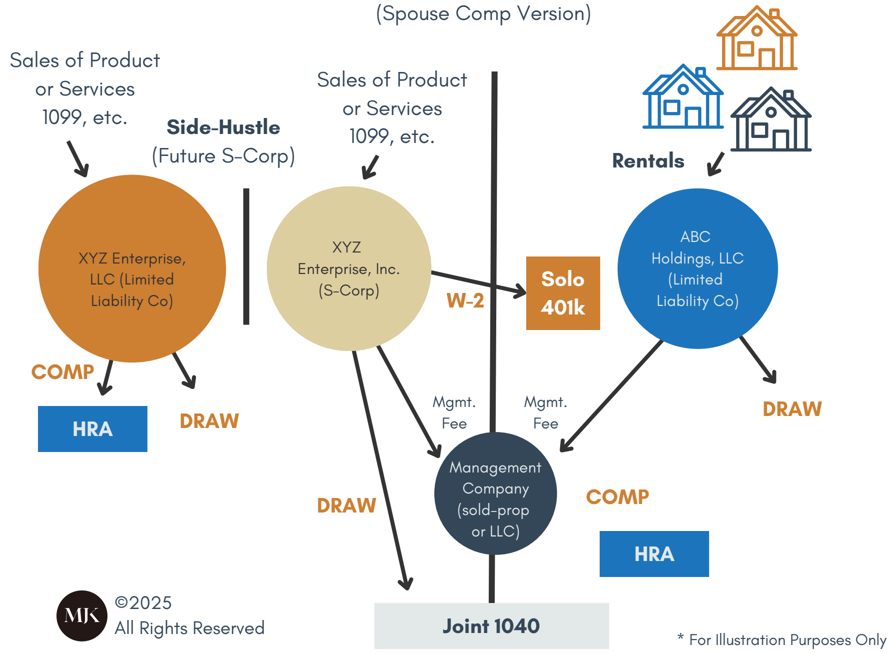
GOOD REASONS

1 MAXIMIZE THE SPOUSE'S 401K CONTRIBUTION - RIGHT
If a business owner and their spouse want to put away some big money for retirement, they BOTH may qualify for the Solo 401k and be able to double down on contributions. But each spouse is required to take a W-2.

2 POTENTIALLY WRITE-OFF MORE MEDICAL EXPENSES - RIGHT
Essentially, if your family has a lot of medical expenses, putting your spouse on the payroll may allow you to utilize the Health Reimbursement Arrangement (HRA). **(See Strategy #12 above)**

BOTTOM LINE, If you're planning to put your spouse on the payroll, be sure to have specific reasons for it and understand the strategy behind it before just doing it because of what someone else said or did.

TRIFECTA
(Spouse Comp Version)



* For Illustration Purposes Only

HOME OFFICE DEDUCTION

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This is one of my **FAVORITE** deductions and I'm shocked by how many taxpayers are afraid to use it. The home office deduction is a legitimate and helpful write-off that both small business and rental property owners must consider.

The trick is to not be overly aggressive with it. Generally, home office deductions are calculated based on the percentage of your home being used for business purposes.

There are two options available for you to maximize the write off:

- The **Simplified Option** can significantly reduce the record-keeping burden by allowing a qualified taxpayer to multiply a prescribed rate by the allowable square footage of the office in lieu of determining actual expenses. Up to 300 sq. ft at $5.00 per foot annually ($1,500 max).
- The **Regular Method** is typically the better option if the business owner has a more expensive residence, home office design, or more square footage. Thus, it's important to consider the bigger write-off and not settle for the simplified option if possible.

18 EQUIPMENT & BONUS DEPRECIATION

Three years ago, business owners were allowed to take a 100% write-off on the purchase price of certain property placed in service this year. This is known as "Bonus Depreciation" and was part of the tax-law passed during the first Trump administration to encourage business growth and development.

Essentially, if an entrepreneur needs to buy equipment, computers, furniture, etc…for their business they can be allowed to 'accelerate' the write-off rather than 'depreciating' the expense over time.

However, this is where things can get very complicated.

- First, bonus depreciation has been phasing down by 20% each year for properties placed in service after Dec. 31, 2022, and will be ultimately eliminated by 2027. Currently, in 2025, bonus depreciation is down to 40%.
- Next, consideration and comparison of bonus depreciation and the Section 179 expense is critical in planning for depreciation deductions. Both result in substantial present value tax savings, but have different pros and cons.
- Taxpayers aren't required to have net-income to take 'bonus depreciation', but will now face limits on how much bonus depreciation can be taken over the upcoming years.

The trick is balancing the strategy of Bonus Depreciation with the historic and well known 179 Depreciation Deduction.

BOTTOM LINE, You, as a business owner, should be having regular conversations with your tax advisor about important purchases and what the possible tax deduction may be.

A WORD OF CAUTION:

Don't be the typical farmer…meaning don't rush out in December to buy trucks and equipment you really don't need just to get the write-off.

Essentially, don't let 'the tax tail wag the dog'. Make a good economical decision on what you need and don't simply chase a tax write-off.

19

WRITING OFF CELL PHONE & TECH EXPENSES

Over the years, I've come across a ton of misleading information about what can and can't be deducted—especially when it comes to the "technology" deduction.

But let me tell you, some of the absolute best and totally legitimate tax deductions for small-business owners can be found at places like Best Buy, Staples, Apple, Microsoft, and Amazon.

Keep in mind, it's all about paying attention to the little things. These deductions may seem small individually, but they really add up. So, if you're running a business, it's important not overlook the impact these deductions can have on your tax returns.

Imagine someone running a family-owned business where each member plays a crucial role. It's fascinating to think that every cell phone tucked in their family's pockets could potentially be counted as a deduction. Something to think about, right?

Consider these items and how you can use them in your business:

- Laptops, computers, printers, iPads, reading devices, and tablets
- Cameras, video cameras, lighting, TVs, monitors, and studio equipment
- Microphones, speakers, audio equipment, projectors, and screens
- Bluetooth devices, smart watches, drones, and Google glasses
- Cell phones and service, Internet service, fiber, or related data needs

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EXPENSING TRAVEL WHENEVER POSSIBLE!

When entrepreneurs travel, it's a perfect opportunity for a business write-off! Unlike meals and dining, which have been limited to 50% in the past, travel expenses have always been 100% deductible! These expenses cover everything from airfare and baggage fees to hotels, Airbnb, VRBO, rental cars and their gas, Uber, Lyft, Turo, valet services, taxis, trains, tolls, and more.

You would be shocked to know how many new clients' tax returns come across my desk every year with literally ZERO travel deductions!!

Think about these 6 ideas before planning your travel:

1. Annual company meeting (see the reference to Board Meetings below).
2. Visiting a current or potential client.
3. Meeting with a vendor.
4. Attending a conference or workshop.
5. Checking on your rental property.
6. Picking up supplies or equipment for your business.

Another overlooked fact is that you should have regular Board Meetings in your LLCs or Corporations.

This is a fantastic method to take legitimate and purposeful travel deductions.

21

PASS-THRU RENTAL LOSSES & REAL ESTATE PROFESSIONAL

In a nutshell...buying rental property builds wealth and saves taxes. But that's not all!

When investors dive into rental properties, they often discover the magic of Pass-thru losses, driven mainly by depreciation and mortgage interest. How these losses affect their personal 1040 tax return depends on their classification as an investor.

The three categories the IRS uses to classify real estate investors.

1. The first classification is that of a **"PASSIVE INVESTOR."** This is the worst category and only allows a taxpayer the ability to deduct passive losses against passive gains.

2. The second classification is that of an **"ACTIVE INVESTOR."** Being classified as such lets a taxpayer deduct an extra $25,000 of losses from their regular income. But keep in mind, this deduction decreases as their Adjusted Gross Income increases.

3. Third, the **"REAL ESTATE PROFESSIONAL"** classification allows taxpayers to deduct 100% of their real estate losses against ordinary income...IF they CAN qualify and WANT to qualify.

In order to qualify and claim losses as a Real Estate Professional, there's a simple 3-part test. It's all about being actively involved, and each person's situation is unique when applying these rules.

Becoming a Real Estate Professional has its advantages and disadvantages, but if you qualify, the tax benefits can be astounding!

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COST SEGREGATION THAT WORKS!

Cost Segregation is a smart strategy utilized by rental real estate owners (even if it's their building rented to their business). Though it's been around for a while, it's gaining attention lately because it sounds sexy and cool. However, it's often still misunderstood by many.

Here's the gist: Cost Segregation breaks down a property into its parts, like carpets, appliances, or furnaces, and then applies different depreciation rates to each part using techniques like Bonus Depreciation or Section 179. Simple, right?

It's true, cost segregation can save you money, but it comes with complexities. That's why it's crucial to work with a tax advisor who can help navigate the complexities and maximize savings.

ASK YOURSELF THESE QUESTIONS:

- Can I actually utilize the write-off to its fullest extent?
- Would taking the deduction in years to come when my anticipated tax bracket could be higher be more advantageous?
- And finally, could I use de minimus rules to deduct certain assets avoiding both the 179 or Bonus Deprecation rules?

Investors are required to pay a fee to a Cost Segregation Specialist for the completion of the 'Study' and the creation of a report. Taxpayers, and their accountants, are not able to perform the 'report' independently.

For those who own rental property, the ability to do a 'cost seg' doesn't automatically imply that it's the best choice.

The key isn't just obtaining the 'study,' but rather utilizing the resulting losses effectively as an Active Investor or Real Estate Professional **(See Strategy #21 above)**.

IF you can't qualify to use the losses, you just carry forward and they are essentially worthless. Make sure a Cost Seg Analysis will benefit you before jumping into it.

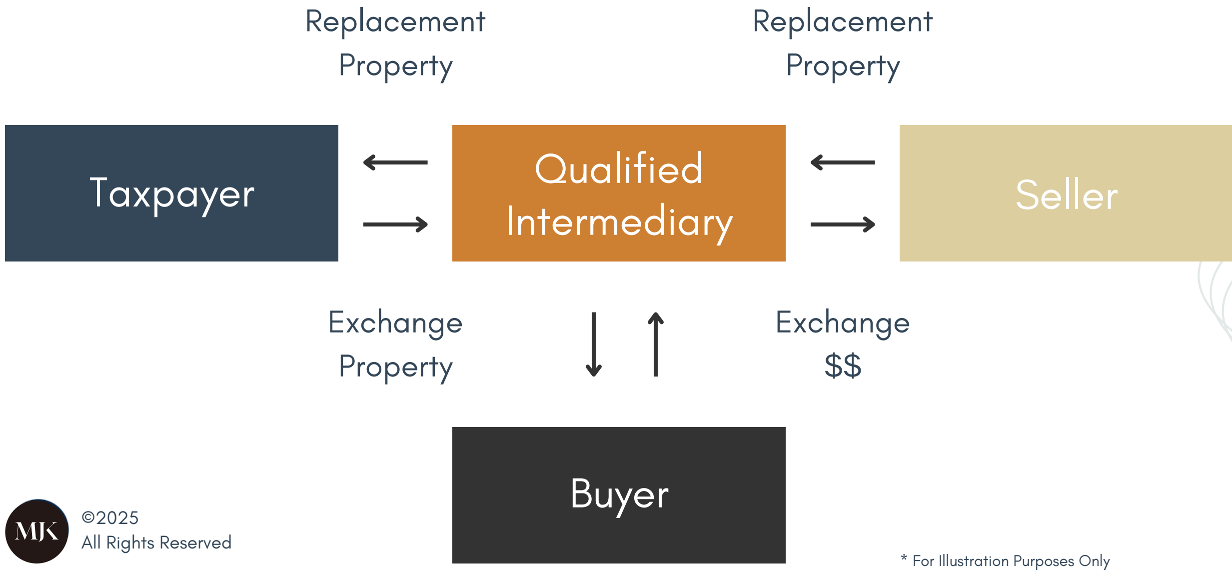
23 INSTALLMENT SALES & 1031 EXCHANGES

In an Installment Sale, the investor, sells a property and receives part of the payment as a "Promissory Note" or "Trust Deed." This helps spread out the gain over time, delaying the tax bill and staying in a lower tax bracket.

A 1031 Exchange lets investors defer taxes by purchasing another property after selling one with a gain. It may seem straightforward, but it requires careful planning. When selling a highly appreciated property, investors buy a new one (or more) of equal or higher value to complete the exchange.

Here's a better look at a typical 1031 transaction in action:

THE 1031 TRANSACTION



* For Illustration Purposes Only

Many Exchange options exist, like Reverse Exchanges, Construction Exchanges, TIC Exchanges, and even Exchanges combined with the 121 Sale of Home Exemption. Therefore, it's crucial for even the average real estate investor to grasp the 1031 Exchange and its associated strategies.

24 OPPORTUNITY ZONES TO DEFER AND SAVE TAXES

Investors have the chance to defer or save on taxes through Opportunity Zones by investing their capital gains in real estate. These gains can come from various sources, such as:

- Rental property
- Stock, Mutual Funds, or Business Interests
- Cryptocurrency or Precious Metals

A taxpayer typically has 6 months after selling a property to reinvest the capital gain into an Opportunity Zone (OZ) location. This process differs from a 1031 Exchange. **(See Strategy #23)**. Unlike the Exchange, the taxpayer can choose to reinvest any portion of the capital gain, not necessarily the entire sales price of the asset.

THE BENEFIT IS THREE-FOLD:

1 Tax deferral on the initial capital gain for up to 7 years.

2 When the OZ Property is held the proper amount of time, there is an increase in the basis of the previous property/asset sold, resulting in partial capital gain savings.

3 Complete capital gain exemption for the new equity in the long-term investment interest IF the OZ Property is held for more than 10 years.

Navigating through the process can be complex, requiring taxpayers to strictly follow all procedures.

Nonetheless, numerous investors have discovered OZ Properties as a refreshing and lucrative investment option, doubling as an effective tax strategy.

It's something else you MUST consider if you want to save on taxes!

25 CAPITAL GAINS & LOSSES: STOCKS, BUSINESS, REAL ESTATE & CRYPTOCURRENCY

Not all gains and losses are created equal, and knowing how to match them for the best tax outcome is an art.

A good tax advisor knows when to mix and when to keep things separate—kind of like choosing the right fruits for a perfect smoothie.

THE CRAZY WORLD OF NETTING GAINS AND LOSSES

In strategic planning sessions, individuals often believe they can offset stock market losses with gains from real estate or small business ventures. However, this isn't always true! Here are some rules to keep in mind:

- Capital Losses are NOT deductible against Rental Real Estate Income
- Capital Losses are NOT deductible against Passive Gains
- Rental Real Estate Losses become an ordinary loss if a Real Estate Professional
- Capital Gain from sale of real estate can be netted against Capital losses
- A loss from sale of rental property is deductible against ANY other type of income
- Short-term rental income with 'substantial services' are subject to SE tax
- Short-term rental losses with 'substantial services' are an ordinary loss
- and this is just to name a few...

*** You CANNOT just toss all your gains and losses into a blender and hope for a perfect brew of tax savings! It takes skill to mix & match them strategically for the best outcome.**

26 RETIREMENT PLAN TAX STRATEGIES: MEGA ROTH, SOLO 401K, DB, AND SEP

Keep in mind, the primary aim of all this tax planning and strategizing is to save money. With those savings, you can build a substantial tax-free wealth reserve, often referred to as a Roth.

I would advise you to contribute to your retirement accounts strategically and convert them to Roth accounts as needed to build a substantial tax-free bucket. **(See Strategy #1 above)**.

8 KEY FACTORS FOR CHOOSING THE BEST RETIREMENT PLAN SETUP FOR TAX BENEFITS (FOCUS ON STRUCTURE):

1. How much can you save every month? Your budget will determine the choice.

2. How much do you have saved already? It's about finding a balance between pre-tax funds (like personal investments and real estate) and tax-free or tax-deferred accounts (like Roth IRA, HSA, or Solo 401k).

3. Do you have employees in your business? This impacts the retirement plan or structures you can use.

4. Married or kids? You may be building the accounts of multiple family members at the same time, including college savings.

5. Can we build a Health Savings Account at the same time? We have to consider saving for our health care at the same time we consider retirement income.

6. Do you need a tax deduction? Can you handle your taxes and still build Roths, or do you need to focus on tax write-offs?

7. What's your tax bracket now and in the near future? What will your tax bracket be in the next few years?... NOT what it will be when you retire and 'years' into the future. NO ONE can predict that!

8. What do you prefer to invest in? If you're confident in real estate, small businesses, notes, or even crypto, we can create structures for self-directed investing in what you know best! **(See Strategy #8 above)**

This is what I tell my clients...

"I don't care 'what' you invest in...except that you invest in what you KNOW."

"**I don't care how old you are!** Young or old - You should be Saving!"

"**I don't care what your risk tolerance is!** That's your call and you'll figure it out."

26 (CONT.)

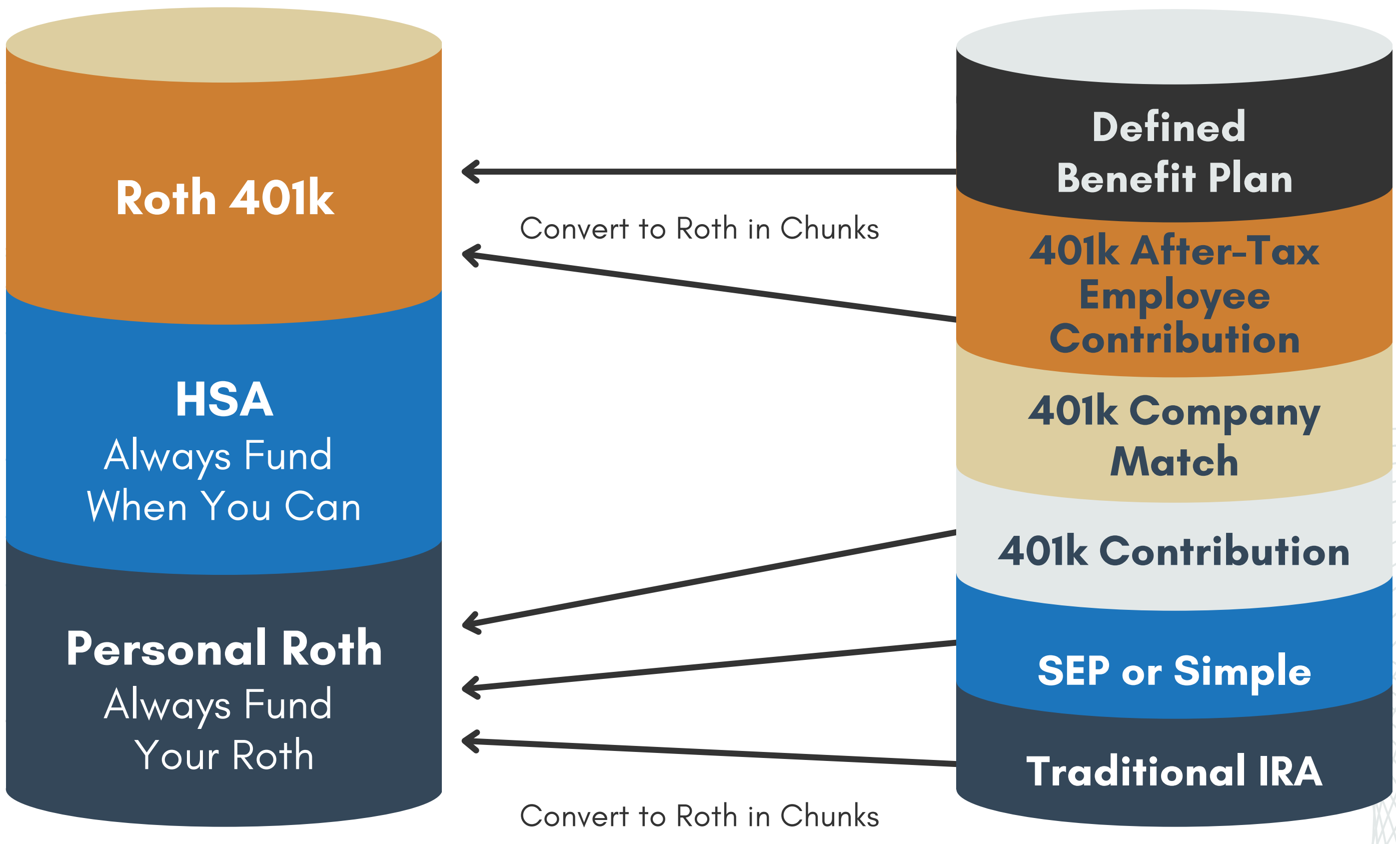
My job is to look at retirement plan structures from a tax perspective and choose the best ‘structure’ for tax savings, tax-free wealth, and ‘what’ my clients want to invest in.

I’m NOT interested in selling investments to clients and making money off of their money.

Here’s the structure I often refer to when advising clients:

Tax-Free Retirement Plan Wealth

Tax-Deferred Retirement Plan Wealth



* For Illustration Purposes Only

Tax advisors handle taxes. Financial planners handle financial strategy. They’re not the same—let the experts stick to their lanes!

27 ESTATE TAX PLANNING AND AWARENESS

Estate planning forms the bedrock of one's Trifecta **(See Strategy #30 below)**. An Estate Plan stands as a testament to your Legacy.

Every person must challenge themselves to live life to the fullest. Tackle that bucket list NOW!

But it's important to realize that everyone will pass away someday. That's why I also motivate my clients to organize their affairs and not leave a mess for their family. I practice what I preach...and so should you.

Young or old, rich or poor, single or married, kids or no kids...everyone needs an Estate Plan!

HERE IS WHAT AN ESTATE PLAN IS AND IT'S FAR MORE THAN A TRUST:

- Revocable Living Trust
- Will with pour over provisions into the Trust
- Powers of Attorney for Finances if you become incapacitated
- Powers of Attorney for Health Care if you can't make decisions in an accident
- Living Will or Health Care Directive
- Provisions for specials asset, beneficiaries, your funeral, etc.
- Avoid Probate – NO court involvement
- You name YOUR backups – NO attorneys

As of 2025, there is a Federal Death Tax and some type of Estate or Inheritance Tax in 12 states.

If you don't have the right provisions in your Estate Plan, it can cost you millions upon your death. THEN your money is definitely not going where you want it to – the government!

ESTATE/DEATH TAX is Alive and Well!!

In 2025, the federal estate tax imposes a rate of approximately 40% on estate values exceeding $13.9M.

Presently, five (5) states have some sort of inheritance tax: **Kentucky, Maryland, Nebraska, New Jersey, and Pennsylvania.**

28 CASH VALUE LIFE INSURANCE

Just a heads up...I have some strong feelings about this!

Cash value life insurance is like a magic hat, filled with all kinds of tricks:

- Grow your money without taxes hassling you.
- Scoop out cash without Uncle Sam getting a cut.
- Beef up that retirement stash.
- Have a secret fund for life's curveballs.
- And a nice chunk for your loved ones when you're gone.

BUT, IT IS NOT ONE-SIZE-FITS-ALL... although it's sold by promoters TO EVERYONE!

I'm tired of the fancy names they slap on it, like *'Infinite Banking'* or *'Bank on Yourself'* – it's all the same song and dance.

So...here's my two cents (for what it's worth) – take it or leave it:

My Charge to my Clients!

> *"After you have all of your other planning in place; your Trifecta, your asset protection, a debt reduction plan if needed, funding your retirement accounts at the proper and regular level, building some sort of real estate portfolio, your estate plan is in place, etc...AND...listen... AND you have THE financial reserves and stability to maintain contributions to a life insurance policy for the requisite amount of time (i.e. premiums)...THEN get quotes AND 2nd AND 3rd opinions to not get 'oversold' the wrong type of insurance. THAT'S when Cash Value Life Insurance IS incredible, and it is incredible in that scenario – It's the cherry on top at that point!"*

28 (CONT.)

Life insurance is a **CONTRACT** with an insurance company. If you miss payments, your policy can lapse, leading to surrender charges and the loss of accumulated cash value.

It's also crucial to keep in mind that NOT ALL CASH VALUE POLICIES ARE IDENTICAL. Some invest cash value in the stock market, others tie it to market fluctuations, and some simply pay out what the insurance company promises annually through interest or dividends.

REVIEW THIS CHECKLIST TO ENSURE YOU'RE NOT OVERSOLD ON LIFE INSURANCE:

1. Is the insurance agent licensed to sell cash value policies where the cash value is invested in the stock market? Do some detective work. Dive into a FINRA Broker Check search to check if they hold a securities license. Don't forget to peek at their "Disclosure Information" for a clean slate without any client complaints!

2. Are the assumptions reasonable? When it comes to policies tied to the stock market versus those that aren't, return assumptions should always vary. But here's the twist: some policies, like indexed universal life insurance, don't directly invest in the market—they track it using options contracts. Keep your eyes focused on this one.

3. Do you have the resources to cover those planned premiums? I don't want to see you gamble away your hard-earned money on surrender charges for missed payments!

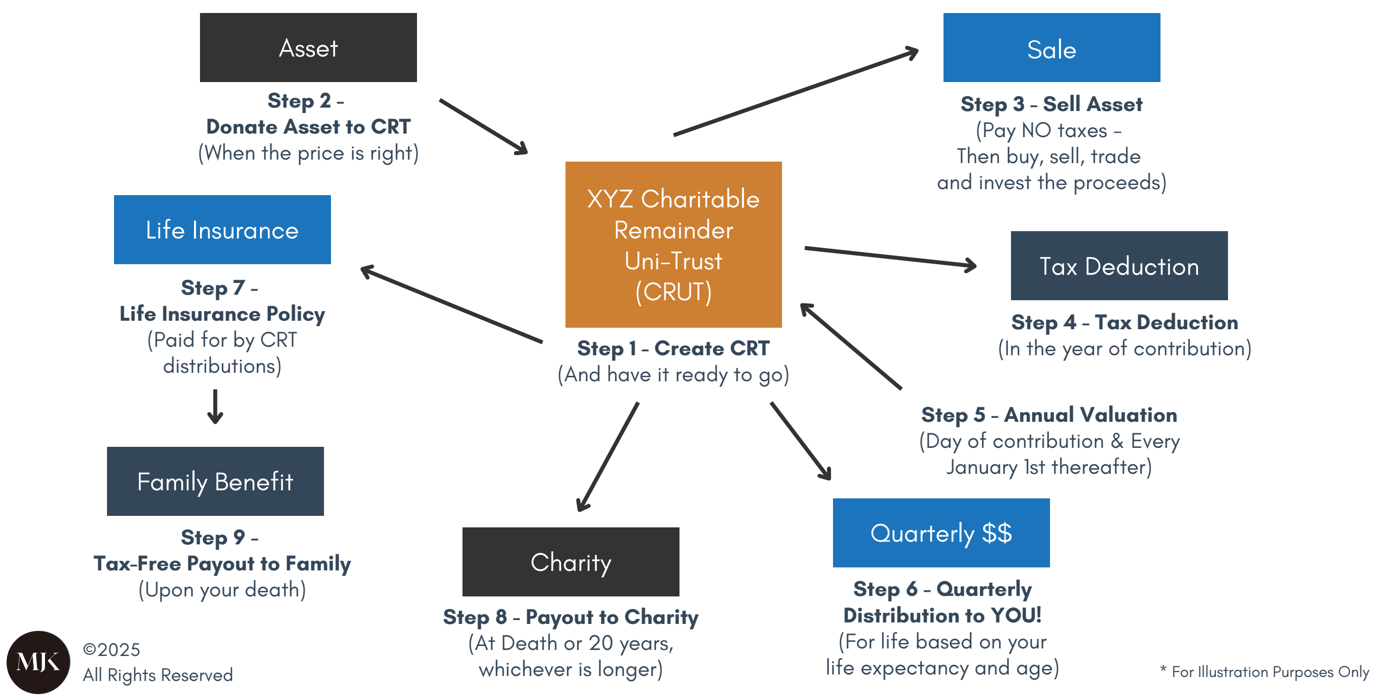
29

CHARITABLE REMAINDER TRUSTS

The **Charitable Remainder Trust** (CRT) packs a punch with its benefits: think tax savings, steady income, shielding assets, and giving back to a cause. And that's just the start!

What's really exciting is how flexible a CRT can be. Once upon a time, CRTs were all about dodging big tax hits in real estate deals. Fast forward to today, and they're the secret sauce in small business sales, stock maneuvers, and even the wild world of cryptocurrency. How's that for versatility?

Implementing a Charitable Remainder Uni-Trust



The CRT can seem like a fantastic tax move, but it truly shines when you're dealing with an asset that has a built-in gain of $300k-$500k or higher.

30 UNDERSTANDING AND USING THE TRIFECTA TO BRING IT ALL TOGETHER

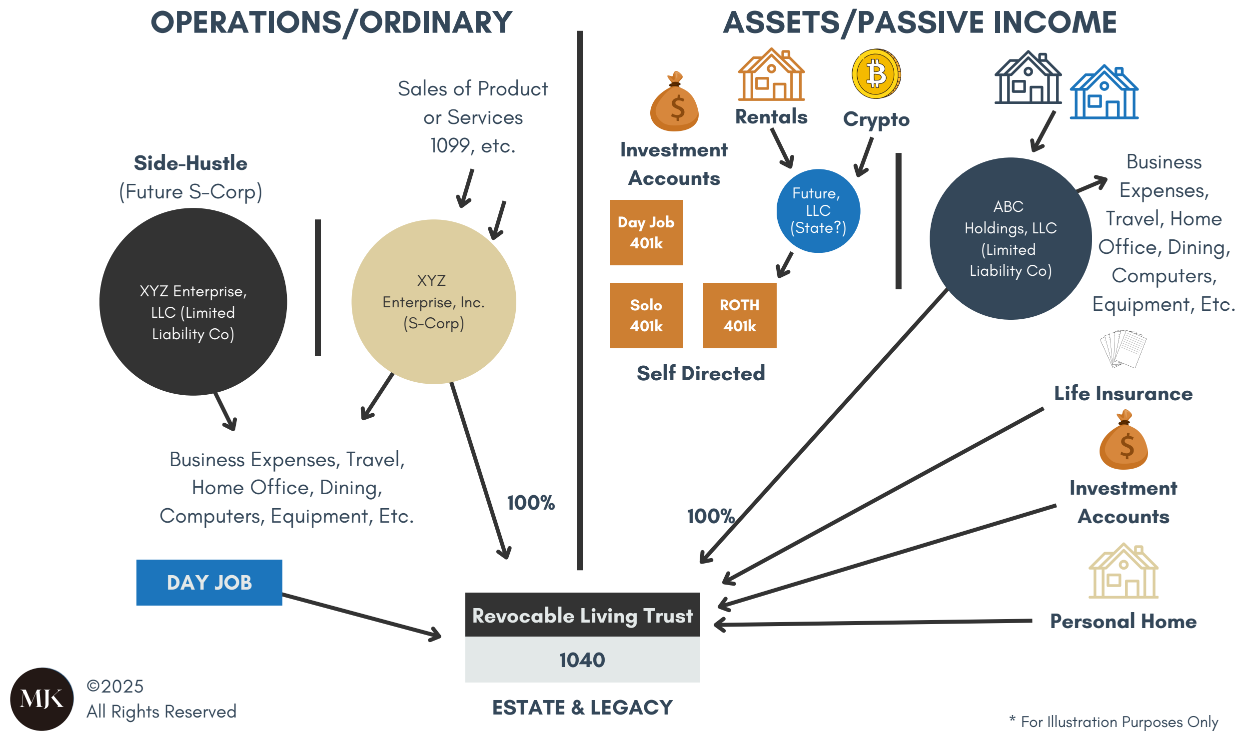
IT ALL STARTS AND ENDS HERE! This is the heart of tax strategies, wealth creation, asset protection, and estate planning.

My thriving clients have a clear vision of their goals. They stay organized, strategically deduct expenses, diversify wealth, prioritize asset safeguarding, and unify everything with a legacy plan using a straightforward revocable living trust.

And I want you to have the same clear path to financial freedom and success!

You don't have to be Rich to want and NEED a Plan!

THE BASIC TRIFECTA



Unlock the power of the Trifecta: Operations on the left, Assets on the right, and everything flowing down seamlessly into your Estate and Tax Returns.

From Insurance agents to Board of Directors and beyond, the Trifecta simplifies complex concepts.

The "Trifecta" brings it ALL together and helps you save THOUSANDS!

TAKE ACTION

1 Search the Main Street Tax Advisor Network.

Stop guessing and start winning with an advisor who knows the game. The Main Street Tax Advisor Network makes it easy to find a certified expert who works for you.

- 600+ Certified Professionals Ready to Help
- No more confusion—just real, actionable advice
- 100% FREE to search

2 Partner with a Main Street Certified Advisor.

If your tax pro only talks to you once a year, you could be leaving thousands on the table. A Main Street Certified Advisor gives you the proactive strategies you need, all year long.

These advisors are equipped with 80+ advanced strategies and certified by me personally.

Visit www.markjkohler.com

Are you interested in becoming a **Main Street Certified Advisor** yourself?

Use the **QR code** to schedule your **FREE Discovery Call** with our friendly team.

We'll help you strategize, monetize, and realize your potential.

We can't wait to be a part of your success story.

Keep living the dream!

Mark J. Kohler

CPA, Attorney, Author

Discovery Call