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Plan Now to Take Advantage of 2004 Tax Breaks

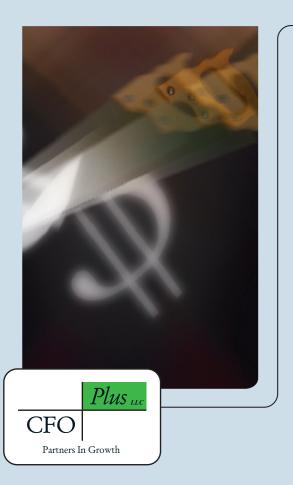
## Plan Now to Take Advantage of 2004 Tax Breaks

Ever since the May 2003 tax legislation hit the airwaves, it seems that most business owners have been obsessed about whether or not to buy a heavy vehicle (to take advantage of the full tax break, the vehicle must weigh more than 6,000 pounds). With the new tax laws, it is more important than ever to plan to take advantage of tax breaks. Some of the changes in the law bear a Cinderella-like quality in that they revert back to previous limits.

Here, we cover some of the more general time guidelines on tax planning issues, but there are many more to consider, so be sure to call your accounting advisor to discuss your plan of action. Use this list to begin implementing tax-saving strategies that will contribute to minimizing your tax bill.

- Put appropriate retirement vehicles in place. For sole proprietors, a fairly new retirement vehicle called a sole 401(k) offers a place to build a nest egg while also offering a soft place to land should you need to borrow against the funds. Different than a Simplified Employee Pension, the sole 401(k) allows owners to divert much more than a SEP. There are distinct limitations on who qualifies for a sole 401(k), but for those who qualify, this can be a beneficial way to save for retirement.
- Selecting the best entity for your business. Create your multiple-member LLC or corporation prior to the beginning of your business's tax year in order to take advantage of your selected form of business organization for the entire tax year. If you wish for your business corporation to be taxed as an S corporation, make that election anytime during the tax year prior to the year the S election is to begin, or by the 15th day of the third month of the tax year to which the election is to apply. Note: There are extension rules, but they are not automatic, so make your election on time!
- Put capital equipment into service for maximum tax savings. In order for capital equipment
  to be eligible as a tax deduction (either using depreciation and/or Section 179 tax laws), you
  must purchase and place the equipment into service in your business prior to the end of
  the tax year. So, to take advantage of saving on your 2004 taxes, purchase equipment by
  December 31, 2004.
- Put your kids to work. Many business owners realize they can pay their children to work for
  the business, but many try to pay their kids a lump sum at tax year end. The best way to hire
  children is to hire and pay them throughout the year, as money is earned. Pay your children
  when they perform legitimate work in your business. If you planned on giving them money
  anyway, this is a great way to give them wages that are tax-deductible to your business,
  tax-free to them (up to the \$4,750 standard deduction), and you still get to claim your
  children as dependents on your personal income tax return.
- another nine months to fund your prior year's retirement plans. In some instances, you can gain another nine months to fund your prior year's retirement plan. For instance, if you want to put \$8,000 in a SEP, you have until the individual tax return filing deadline to fund this. That means you could designate the \$8,000 for the prior year's tax return and not pay the \$8,000 until October 15 of the current year, which is the same time you would file your individual tax return. This does not mean that you can avoid paying Uncle Sam on April 15 if you have a tax liability. Keep in mind that if you have a tax refund due, you will not receive it until you file your tax return.
- Make required business estimated tax payments on time. Despite minimizing your overall
  tax burden, you still need to ensure that you make quarterly estimated tax payments on
  time. It doesn't make sense to spend time saving money only to pay more in the form of
  penalties.

In addition to business tax planning, company owners also have a myriad of individual tax breaks to consider as well. If you aren't sure where to start for 2004, call us today and we will put you in touch with a tax planning consultant that can help minimize this year's tax liability.



Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.

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