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|  | THE FOLLOWING RELATED TO BUSINESSES |
|  | NOTE: TO DEDUCT ANYTHING THIS YEAR:   * THE CHECK MUST BE DATED THIS YEAR & MAILED ON/BEFORE 12/31/22 * IF USING A CREDIT CARD, IT MUST BE CHARGED ON/BEFORE 12/31/22 |
|  | PAY ALL EXPENSES ON YOUR DESK & IN YOUR PAYABLES BEFORE YEAR END.  PRE-PAY EARLY 2023 EXPENSES BEFORE YEAR END. Where this makes sense for your business. Not that you should, but you can pay up to 12 months of expenses in advance and get the deduction when you pay that expense.  LOOK AT PRIOR YEAR DECEMBER 2021 CHECK REGISTER TO SEE WHAT YOU PAID AT THE END OF LAST YEAR. You can pay those same expenses before this year-end.  LOOK AT YOUR JANUARY CHECK REGISTER 2022 TO SEE WHAT YOU COULD HAVE PAID BEFORE THE END OF THE YEAR. You can pay those expenses by year-end.  Typically, easy expenses to pre-pay. Major examples:  \_\_ Rent  \_\_ Advertising  \_\_ Liability & auto insurance  \_\_ Health, dental & vision insurance  \_\_ Dues & subscriptions  \_\_ Telephone & cell phone  \_\_ Postage  \_\_ Sponsorships (i.e., charitable contributions)  \_\_ Pick any other business expense… and you can pre-pay it *up to* 12 months. |
|  | IF YOU USE YOUR CREDIT CARD FOR BUSINESS EXPENSES: You get to deduct the expense when you charged it on your credit card. The date you pay your credit card is NOT the date you deduct the expense. Be sure you are deducting all you can this year, without over-extending your credit. |
|  | Pay year-end payroll *actually* BY YEAR-END. If your payroll is on the 1st, instead pay January 1st payroll on or before the December 31st.  Pay out any employee bonuses through payroll before year end. NOT CASH. |
|  | Pay your business personal property taxes and business real estate taxes by year-end. You are most likely just got your bill to pay this, so don’t forget! Possible new tax law doesn’t apply to businesses. |
|  | If you use your PERSONAL vehicle for business driving: Reimburse yourself business mileage used on your PERSONAL auto. If your company owns your vehicle you CANNOT do this.  Multiply your business mileage times **58.5** cents (per mile) January – June 2022, and 62.5 center (per mile) July – December 2022. Write yourself a separate check from your business to reimburse yourself. This is a tax deduction to your business, and TAX-FREE to you. DO NOT combine this check with anything else. DO NOT add it to your payroll or distribution check**.**  **In the memo of your check write “Mileage reimbursement.”** |
|  | Reimburse yourself for internet use at your home (recommend at least $300) if you regularly use the internet (Wi-Fi) at your home for business with your computer or cell phone. Write yourself a separate check from your business to reimburse yourself. This is a tax deduction to your business, and TAX-FREE to you. DO NOT combine this check with anything else. DO NOT add it to your payroll or distribution check. **In the memo of your check write “Internet reimbursement.”**  Reimburse yourself for any business expenses you paid personally, whether you paid personally by cash, check, or personal credit card. These would be expenses your business did not pay for.  Complete a simple expense report with date, who was paid (vendor), amount and total it up. Write yourself a separate check from your business to reimburse yourself. This is a tax deduction to your business, and TAX-FREE to you. DO NOT combine this check with anything else. DO NOT add it to your payroll or distribution check. **In the memo of your check write “Business expense reimbursement.”**  Business expenses paid personally (NOT LATER REIMBURSED) are not a tax deduction on your personal tax return. You MUST reimburse yourself for the tax deduction to count. |
|  | Max out retirement withholdings for 401K or Simple Plan.  This can only be done by W-2 / payroll reporting and must be done in payroll  on or before year end (12/31/22)  The amounts withheld need to be paid (contributed to the retirement plan)  on or before January 30, 2023.  ***Tell your payroll company now to increase your withholdings for 2022.***  Year 2022:  401K: $20,500 or $27,000 if age 50+  Simple Plan: $14,000 or $17,000 if age 50+  The employer match is typically 4% for the 401K and 3% for the Simple Plan. The match is based on the gross wages paid to the employee and does not exceed the amount contributed by the employee.  See individual year-end tax planning checklist for IRA and Roth IRA amounts. |
|  | Max out your SEP Retirement, if you have one.  This can be done in *addition* to your 401K or Simple retirement plan. The 401K and Simple Plan are “employee contributed” plans, whereas the SEP is only an “employer contributed plan.”  This is up to 25% of your W-2 gross wages. You DO NOT need to fund this before year end. It can be paid into the SEP retirement account up to the due date of the tax return, including extensions.  For S-Corporations, C-Corporations and Partnerships, that is September 15, 2023, for tax year 2022.  For Schedule C filers or those with self-employment income on Form 1040, that is October 15, 2023, for tax year 2022. See the individual checklist for more.  *NOTE: Whatever percentage you contribute for yourself, you must do the same percentage for your employees. Example: You contribute 25% of your wages, you must also contribute 25% of your employee’s wages to their retirement accounts.*  HOWEVER, since this is purely based on your gross wages. So, if you want to contribute (deduct) the maximum, you need to have enough wages by 12/31. NOTE: The more wages, the more payroll taxes. Overall, you should save more *income* taxes than the cost of *payroll* taxes.  CONSIDER: W-2 wages are subject to 15.3% payroll taxes up to $147,000 in 2022. W-2 wages above those amounts are subject to 2.9% payroll taxes up to $250,000, and then subject to 3.8% payroll taxes above $250,000.  Year 2022:  $61,000 Max (Requires $244,000 in W-2 wages)  No additional amount based on age. |
|  | If your company pays into your health savings account (HSA), max it out before year end through wages.  You have until April 15, 2023, to max it out if you pay it at the personal level; meaning if you pay it from your personal account, and the company does NOT pay this directly, you have until April 15, 2023.  If your business pays for it, it must be reported on your 2022 Form W-2 (Box 12W) and thus, get this done by year end.  Year 2022:  $7,300 Family or $3,650 Single.  If age 55+ $8,300 Family or $4,650 Single. |
|  | Health, Dental, Vision and Long-Term Care Insurance Premiums Paid by S-Corporation or Partnership (Does NOT Apply to C-Corporations)  IF YOU DO NOT DO THIS, THESE EXPENSES ARE NOT TAX DEDUCTIBLE.  Over 2% Shareholders of S-Corporation: Report the amount as taxable wages on Form W-2, Box 1 and Box 14 Only. This is a taxable fringe benefit NOT subject to social security or Medicare payroll taxes. This amount is to be deducted on Schedule 1 accompanying Form 1040 as “self-employed health insurance premiums.” NOTE: Long-term care insurance premiums can only be deducted according to the IRS “by age limitation.”  Over 2% Partners of a Partnership: Report the amount as guaranteed payments deducted on page 1 of Form 1065, and further included in Boxes 4a and 4c of Schedule K-1. This is taxable income to the partner also subject to self-employment taxes at the individual level. This amount is to be deducted on Schedule 1 accompanying Form 1040 as “self-employed health insurance premiums.” NOTE: Long-term care insurance premiums can only be deducted according to the IRS “by age limitation.” |
|  | Consider paying family, most notably your kids:  Up to $12,950 of earned income to anyone, regardless of age, is not subject to individual Federal income taxes. This is an aggregated amount for each tax year and is not per employer.  The business yields the deduction, which benefits the owners, in turn saving the parent taxes, at their highest tax bracket rate (in most circumstances).  NOTE: The wages actually need to be paid.  S-Corp Owners: Wages to any aged person, family or not, is subject to social security and Medicare payroll taxes.  Partnerships, sole proprietors filing Schedule C or F: Wages paid to those that are kids of a partner and under the age of 18 are NOT subject to social security and Medicare payroll taxes.  Wages paid to any kids under the age of 21 are not subject to FUTA (Federal unemployment) taxes.  All wages, regardless of age, are subject to withholding taxes. However, if no tax is expected for the year, the kid can claim “EXEMPT” on Form W-4 and does not need to have Federal taxes withheld. This would avoid having to file a Form 1040 simply to get refunded the tax withheld.  Wages paid to any employee are tax deductible to the business. There are not IRS restrictions on payroll amounts. What the IRS can challenge would be the reasoning for wages, just like any other IRS challenge, which is simply this: If the motivation for doing anything, including paying wages to a kid, is ONLY with intent to saving taxes, it is not allowed. The key here is reasonableness. However, consider what you are paying wages for, which is not solely based on effort. Example: A fee paid to appear on a website is required wages to anyone.  Wages created earned income, which provides an opportunity for the kid to contribute to a ROTH IRA. The maximum ROTH IRA contribution amount is $6,000 for a kid for 2022 or the amount of earned income, whichever is lesser. Example: A kid’s earned income is $4,000, then only $4,000 can be contributed to the ROTH IRA.  Why not contribute to a traditional IRA? If the kid doesn’t owe tax, or has very little, they don’t need the deduction. Furthermore, in retirement, any distributions from a traditional IRA are subject to income taxes, whereas with a ROTH IRA, the distributions are not subject to income taxes.  Can the kid participate in the company’s Simple Plan, 401K or SEP? The kid is an employee and can participate if otherwise allowed under the plan’s rules.  What if my kid is 18 or older? Strategy still applies, taking into consideration the payroll taxes as well as their other income. |
|  | Pay Yourself Rent for Home Office:  This is tax deductible to the business, and includable as income to the recipient.  If the home office is rented out for more than 14 days, the full amount of rent received is taxable, and reported on Schedule E, Form 1040. Any deductions of the home are typically not deductible, unless a separate and distinct expense.  The strategy here does NOT save income taxes, but does save payroll and/or self-employment taxes, as rental income is not subject to such taxes. Furthermore, it can be paid regularly, as compared to distributions, which can be misconstrued as wages or guaranteed payments if paid frequently. Meaning, rent can be paid frequently, without risk of being recharacterized.  The rent paid would be a reasonable amount that a third party (another business) would pay for the use of the home office. Reasonableness is a must. Typically, depending on the location of the home office, this amount would be $500 to $1,000 per month.  If you consider only renting your home to your business for 14 days or less, it will need to be reasonable, and what a third party (another business) would pay, which typically is not that much.  This has NOTHING to do with “home office” rules related to Schedule C. This is simply a business paying rent for use of space for business purposes. |
|  | If there is equipment, computers, furniture or the like that you need for your business soon, purchase it on or before December 31st.  Remember, if you are started using an asset that was previously bought personally, you get to deduct the original cost in the year the business use began. Example a computer was bought for the family in a prior year, but it is now used for business in 2022, the original cost can be deducted in 2022. |
|  | BUSINESS VEHICLE PURCHASES:  If you need a new or used vehicle for your business between now and the end of next year, heavily consider getting it this year to ensure you get the deduction, in the event it is removed or reduced next year.  New or used, same rules apply.  The deduction does not exceed what you pay for the vehicle.  TITLE THE BUSINESS VEHICLE IN THE BUSINESS NAME: BUT YOU DON’T HAVE TO WORRY ABOUT THAT WHEN YOU BUY IT, ONLY WHEN YOU TITLE IT AT THE TAG AGENCY A MONTH LATER, SO DON’T GET FOOLED BY THE CAR DEALERSHIP A CORPORATE VEHICLE GIVES YOU A HIGHER INTEREST RATE.  NOTE: You can co-own the vehicle (you and your business own the vehicle), but the business must be listed on the title.  IMPORTANT: Check with your auto insurance company to ensure they are aware and insuring the vehicle as a business vehicle.  YOU CAN PERSONALLY FINANCE THIS FOR BEST INTEREST RATE. After you finance it, have the business guarantee the note.  SUV or truck **over** 6,000 lb. GVWR (gross vehicle weight rating) is 100% tax deductible (with 100% business use). This means the entire cost of this type of vehicle is tax write-off in year one. NOTE: In 2023, this down to 80%-year one immediate tax deduction.  A vehicle 6,000 lb. **or less** GVWR (gross vehicle weight rating) the deduction cannot exceed the purchase amount, and in 2022 is $19,200. NOTE: For a vehicle purchased in 2022, the second-year depreciation in 2023 will be up to $18,000.  NOTE: The allowable depreciation (deduction) is based on the business use of the vehicle. The business use is determined by the business miles divided by the total miles for the year. You do need to document your business mileage.  SIGNAGE ON YOUR VEHICLE: Having signage on your vehicle does not make your vehicle a business vehicle. It can help prove it is being used for business purposes, but it does not override all the above. Also, putting signage on a vehicle (including a wrap) does not constitute the vehicle cost as advertising.  HOME OFFICE? If you have an established home office, your business miles can begin from when you leave your home, even if you have another office for your business or go to a client.  S-CORP OWNERS: You must pick up (report) an amount of taxable income subject to all payroll taxes for your personal use, reported in Boxes 1, 3, 5 & 14 of Form W-2; personal use taxable amount is determined by using the “IRS leasehold tables” based on the personal mileage as percentage of the total business miles for the year.  Business Vehicles Owned by the Business:  The business pays for all the expenses related to the vehicle. If these expenses have been paid personally, then you need the business reimburse you for these expenses on or before yearend, for the business to tax deduct them in 2022 (or any given year).  Such expenses include:   * Car payment (with interest as the deduction) * Auto insurance (ensure your insurance company knows your business owns this) * Car washes * Car maintenance, oil changes * Car repairs, tires |
|  | Review your tax basis, and at-risk basis before year-end, if you are expecting business losses and want to take advantage of such losses. Consider “Excess Business Loss Limitations.” |
|  | **Ensure you have receipts to support all your deductions:**  Ensure you have all bank statements and credit card statements on file for the year. Receipts and documentation required by the IRS to deduct any expenses.  **BANK STATEMENTS & CREDIT CARD STATEMENTS ARE NOT RECEIPTS PER THE IRS. These documents are still required to prove the business “paid” for the expenses, but it does not then prove what the expense is.** |
|  | **WHAT DOES NOT HELP TAX SAVINGS:**  Paying off debt does NOT help create expenses or tax deductions. You tax deduct expenses when you borrow, not when you pay off the debt.  Paying off your line of credit does NOT help tax-wise. Same reason as above.  Paying off credit cards do NOT help tax-wise. Same reason as above. The deduction counts when you charge the expense to the credit card. |

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|  | THE FOLLOWING RELATED TO INDIVIDUALS |
|  | Make any charitable contributions by year-end. Your check, cash or credit card charge be *received* by the charity to count.  **BUSINESS OWNERS:** Ignore this section. Make all charitable contributions through your business, as sponsorships. |
|  | Make any non-cash contributions to a charity by year-end. Goodwill, Hope Center, Vietnam Vets, etc. Get a receipt. Itemize what you donated.  NOTE: The charitable organization won’t list an amount for the deduction. Hence, you need to list what you gave. Typically, the tax deduction is 20% of your original cost. You determine this. |
|  | Max out retirement withholdings for 401K or Simple Plan for 2022.  Year 2022 (Adjust withholdings if needed):  401K: $20,500 or $27,000 if age 50+  Simple Plan: $14,000 or $17,000 if age 50+ |
|  | Max out your health savings account (HSA).  You have until April 15, 2023, to max it out for 2022 if you pay it at the personal level; meaning if you pay it from your personal account, and this is NOT done by your company, the company you work for or through a payroll deduction. If you are participating in this through your company, your employer, or your payroll, you really need to max this out by yearend.  If you don’t max it out through your employer, you can pay the additional amount personally.  Year 2022:  $7,300 Family or $3,650 Single.  If age 55+ $8,300 Family or $4,650 Single. |
|  | IRA and Roth IRA:  You have until April 15, 2023, to fully fund your 2022 or have it count towards 2022. For planning purposes note the maximum amounts:  Year 2022:  IRA: $6,000 or $7,000 if age 50+  Roth IRA: $6,000 or $7,000 if age 50+  Planning to max out contributions to a 529 educational plan.  This is NOT a Federal tax deduction. Not all states adopt this as state tax deduction.  Here’s how it works in Oklahoma, as an example:  You have until April 15, 2023, to max it out for year 2022. The state of Oklahoma participates in this, and thus, for Oklahomans contributing to an Oklahoma 529 plan, they can tax deduct this on their Oklahoma income tax return; saving approximately 5% of the amount contributed to Oklahoma tax.  2022 Tax Year:  $10,000 maximum Oklahoma deduction per person    Total annual maximum overall is $20,000 (Married Filing Joint) or $10,000 (Single) for the Oklahoma tax deduction. Excess contributions can be carried over for up to 5 years. |
|  | Have you maxed out your childcare expenses for 2022?  For 2022 you can use up to $3,000 in childcare expenses for one dependent and up to $6,000 in childcare expenses for two or more dependents. |
|  | Max out educational expenses for the maximum tax credit (based on educational expenses paid during the calendar year):  American Opportunity Tax Credit: If you are or your dependent is in the first 4 years of college, you get a 100% tax credit for the first $2,000 spent and 25% of the next $2,000 spent, for a maximum tax credit of $2,500 per student.  Lifetime Learning Credit: If you are or your dependent is past the first 4 years of college or taking college credits not in the pursuit of a degree, you get a 20% tax credit for the first $10,000 in educational expenses; per student.  You are not able to take both tax credits on the same educational expenses.  FYI: If your income\* is over $90,000 single or $180,000 married filing jointly, this tax credit gets phased out, and you won’t benefit. \*MAGI (Modified Adjusted Gross Income) |
|  | Educators and teachers: For amounts you are paying out of pocket for your classroom or to directly aid in educating your students in the classroom, you can tax deduct up to $300 annually. This is per educator. So, if both spouses are educators and both spouses spend at least $300 out of pocket, the annual tax deduction is $600. |
|  | If you have massive out of pocket medical expenses, consider paying as much as possible at year end as the deduction is only experienced if the aggregate out of pocket exceeds 7.5% of your (adjusted gross) income. Paying by credit card counts in the year *charged*.  Example: If your income is $100,000, then any out of pocket, paid medical expenses more than $7,500 (7.5%) would be deductible (and only the amount in excess $7,500 in this example).  Remember to renew your health insurance, and if applicable, at the Health Insurance Marketplace, but seek tax advice when estimating your 2023 income as the credit (reduction in cost) is based on this and if you estimate incorrectly, you will have to pay the credit back. |
|  | Gambling winnings: You can deduct gambling losses to the extent of winnings but now ONLY if you itemize your tax deductions at the individual level.  Also, for Oklahomans, gambling losses are NOT deducted from gambling winnings. So, you will pay the full Oklahoma tax (5%) on your gross gambling winnings, regardless of losses. |
|  | If you pay Federal and State (Oklahoma) Individual Quarterly Estimated Tax Payments, remember to pay those on or before January 15, 2023. |
|  | IF YOU PAY **STATE (OKLAHOMA)** INDIVIDUAL QUARTERLY ESTIMATED TAX PAYMENTS, |