

Tax **Free** Ecom

Official Tax Planning Guide

Exclusive Access for TFC Students



About the Author

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Alan brings with him 10+ Years of Experience across accounting, tax planning, financial strategies, and consultation. He is dedicated to providing online business owners



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A background image showing a person's hand in a red sweater swiping a card on a payment terminal. The terminal screen displays a blue interface with a white arrow and the word 'Tap'. In the background, there are shelves stocked with various products, including a red bag of chips and a white bottle of laundry detergent.

Your Tax Journey Starts Here

Introduction

We created this Official Tax Planning Checklist to ensure online business owners have a definitive resource to reference when they are looking at their tax situation every year. Our desire is to equip each online business entrepreneurs with the tools they need to ensure they can maximize their tax savings year after year!

- **Important Tax Deadlines:**
 - Individual Returns: April 15th
 - Business (C Corp) Returns: March 15th
 - Business (Sole Proprietorship LLC, Partnership): April 15th
- **IRS Small Business Tax Guide:**
 - <https://www.irs.gov/forms-pubs/about-publication-334>
- Looking for the **Best** Business Credit Card that can get you 3x Points on every dollar of Ad Spent? Apply for the Chase Business Ink Credit Card! [Click Here](#)



Personal and Small Business Records

☐ Personal Records

You'll need the full legal names, SSNs, addresses, percent ownership, ownership acquisition date and distribution details for you, your spouse, any dependents and any other business owners.

☐ Last Year's Federal and State Tax Returns

Gather both personal and small-business returns.

☐ Current Financial Statements and Bookkeeping Records

This includes journal entries, profit and loss statements, balance sheets, etc.

☐ Income Records

You need all 1099 forms plus W-2s from your spouse (if applicable)

☐ Estimated Tax Payments

Gather all paperwork related to tax payments made during year, including state, federal, property, etc.

Personal and Small Business Records

☐ General Ledger

Your ledger should list out contents of every expense category you plan to deduct from your small-business tax return.

☐ Sold or Purchased Assets

Keep proper documentation of all business-related assets you've bought or sold during the year (purchase orders, invoices, receipts or checks, etc.).

☐ Salaries and Wages Paid to Employees

You'll need copies of W-2 and W-3 forms along with federal and state payroll returns (Form 940).

☐ Payments to Contractors

You will have to issue a Form 1099-MISC to anyone you paid for services of \$600 or more (consultants, Graphic Designers, etc.).

☐ Depreciation of Assets

Keep record of the cost and acquisition date of key business asset in order to take advantage of accelerated depreciation and



Tax Free Ecom

Key Ecom Deductions to Look out for

- ❖ **Business Meals**- As a small business, you can deduct 50% of food and drink with your suppliers, vendor, and other business events!
- ❖ **Work-related travel**-All expenses related to travel can be deducted including airfares, hotels, rental car, tips, dry cleaning, and more! Make sure you meet the IRS requirements for business travel.
- ❖ **Business Insurance**-Don't forget that you can deduct your cost of business insurance and sometimes your renter's insurance too if you are using a portion of your home for work.
- ❖ **Bank Interest**-If you borrow money to fund your business, the bank will charge you interest for it. Make sure you write off any fees and interest the bank charges you
- ❖ **Startup Expense**-The cost for starting your business is also deductible. You can deduct as much as \$5,000 in your first year! That can include costs associated with marketing, travel, and training costs.



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Key Ecom Deductions to Look out for- Part 2

- ❖ **Advertising-** Don't forget that all your facebook ads, google ads, and snapchat are tax deductible
- ❖ **Merchant Fees-** Keep track of all your shopify payment fees
- ❖ **Legal and Accounting Fees-** Any expenses you incurred for setting up your business structure and even filing your tax return with a professional is tax deductible!
- ❖ **Home Office Expense-** Don't miss out on your tax savings to work from home (More detail on page __)
- ❖ **Equipment and machinery-** As your business expand don't forget to take advantage of unprecedented Jobs Acts depreciation rules (Section 179 and Bonus)



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Online Business Owner Tax Strategies

- ❖ **Consider Family Income Splitting-** Having your family do legitimate work for your business can really lower your tax bill.
- ❖ **Look into HSA (Health Saving Account)-**One of the “Triple-Threat” Deductions and can provide for all your medical expenses later in life.
- ❖ **Accelerate and Defer-** Don’t forget to take advantage of your cash basis status and move expenses to the tax year that will give you the most benefits.
- ❖ **Look into Irrevocable Trust-**One of the secret weapons of estate planning that can ensure you keep all your assets in the family
- ❖ **Power of Like-Kind Exchange-** Do you like not ever having to pay capital gain tax on your qualified asset? With a Like-Kind Exchange you can keep exchanging similar properties for each while avoiding having to pay any capital gains for many years to come!



I love the feeling of being anonymous in a city I've never been before –Bill Bryson

Top 10 Reasons to have a Digital Nomad Business

- 1. Lower Payroll Cost**
- 2. Ability to use the Foreign Income Exclusion Credit**
- 3. Establish your tax home in countries with low or no tax rates**
- 4. Lower Operation Cost**
- 5. Business-Friendly Laws and regulations**
- 6. Government incentives**
- 7. Increase your global brand presence**
- 8. Access to global talent**
- 9. Foreign Investment opportunities**
- 10. Save us to 40% on your total tax bill!**



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AGENCY

TAX SAVINGS YOU CAN FEEL

Home Office Deduction

Two Main Rules to follow to qualify for the Home Office Deduction:

1. **Regular and Exclusive Use-** Make sure you use a room in your house just for your online business, and not a shared room like your living room!
2. **Principal Place of Business-** Make sure it is your main headquarter for your business where you perform the majority of your administrative or management activities



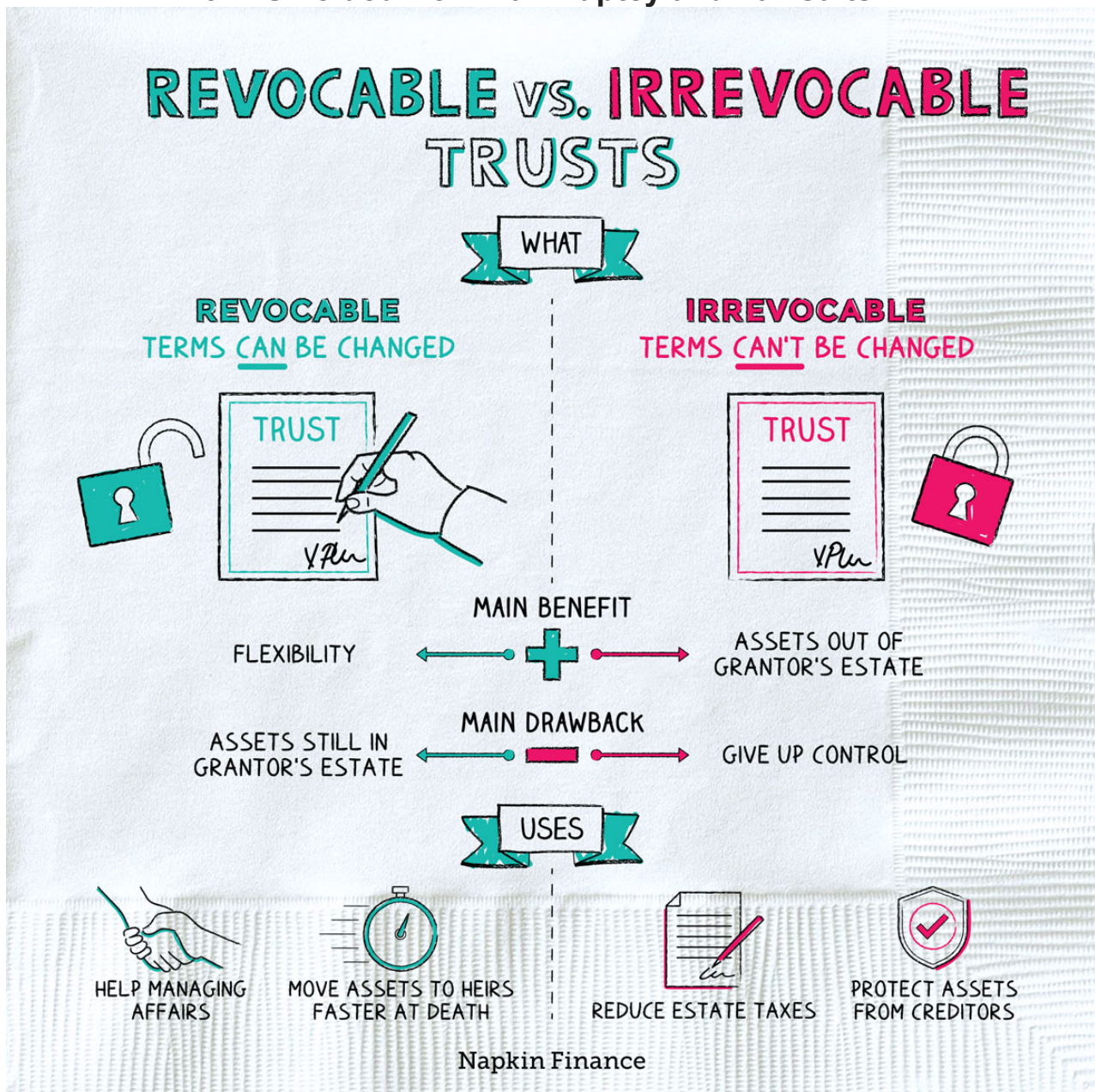
Form 8829		Expenses for Business Use of Your Home		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.		2014	
Name(s) of proprietor(s)		▶ Information about Form 8829 and its separate instructions is at www.irs.gov/form8829 .		Attachment Sequence No. 176	
		Your social security number			
Part I Part of Your Home Used for Business					
1 Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)				1	
2 Total area of home				2	
3 Divide line 1 by line 2. Enter the result as a percentage				3	%
For daycare facilities not used exclusively for business, go to line 4. All others, go to line 7.					
4 Multiply days used for daycare during year by hours used per day				4	hr.
5 Total hours available for use during the year (365 days x 24 hours) (see instructions)				5	8,760 hr.
6 Divide line 4 by line 5. Enter the result as a decimal amount				6	
7 Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by					



Irrevocable Trust

Key Benefits

1. Minimize Estate Taxes
2. Protect your most important assets
3. Shielded from Bankruptcy and Lawsuits

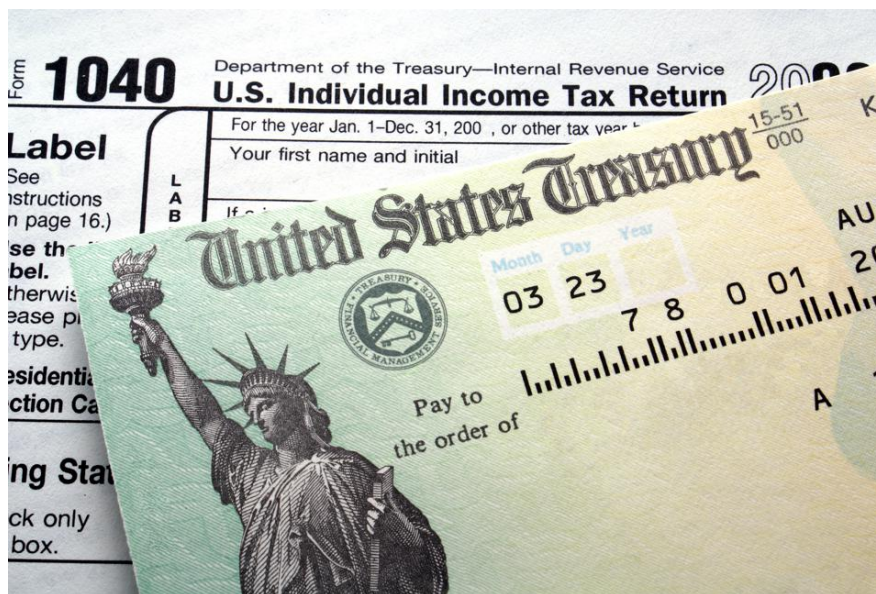


How to Ask for an Extension of your tax filings

Sometimes taking the extra time to file your return may be a strategic decision to help you obtain more tax savings. Traditionally, federal tax returns are due on April 15 or the first business day thereafter. However, the IRS does grant you an extension to file your taxes every year, as long as you complete **Form 4868**.

Common reasons for requesting an extension include a lack of organization, unanticipated events or tax planning purposes. Even if you obtain an extension to file, you must still pay your income tax in full by the tax deadline. If you need help with this, Free Cash Flow Agency is happy to assist as a complementary service to online business owners!





Take advantage of every credit available to your business

2 Key Credits for Online Business Owners

- ❖ **Employee Retention Credit-** The purpose of the Employee Retention Credit is to encourage employers to keep employees on the payroll. The updated Employee Retention Credit (ERC) provides a refundable credit of up to \$5,000 for each full-time employee you retained between March 13 and Dec. 31, 2020 and up to \$14,000 for each retained employee between Jan. 1 and June 30, 2021.
- ❖ A company with 100 or fewer employees was **eligible** for the **credit**, even if the employees were working.
- ❖ **Foreign Income Exclusion Credit-** The foreign earned income exclusion is intended to prevent double taxation by excluding income taxed in another country from U.S. taxation. You must meet either the bona fide residence test or physical presence test. You must have a tax home and foreign earned income. If you can meet all of these requirements, you can exclude \$108,700 for 2021!

Methods to Accelerate your Expenses

- ❖ Harvesting capital gains to reset basis, and to utilize zero and fifteen percent capital gain brackets.
- ❖ - Making Roth IRA and 401(k) Contributions instead of Traditional IRA Contributions. - Making Roth Conversions (this can be complicated – speak to your advisor before proceeding).
- ❖ - Business owners should ask customers to make payments in the current year. They may be looking for opportunities to pay deductible expenses for their own tax planning reasons.
- ❖ - Delaying gifting. Make gifts from previously funded Donor-Advised Funds.
- ❖ - Postponing the payment of state and local income taxes.
- ❖ - Delaying the purchase of equipment for use in your business.

Methods to Defer Income



- ❖ Making deductible retirement account contributions, including those to employer-sponsored retirement plans and Traditional IRAs.
- ❖ - Adopting workplace plans that allow for more aggressive funding. - Contributing to your Health Savings Account.
- ❖ - Harvesting deductible losses.
- ❖ - Contributing to a 529 Plan.
- ❖ - Considering funding a Donor-Advised Fund to accelerate multiple years' charitable deductions into one year.
- ❖ - Buying depreciable business property at year-end and making elections to accelerate depreciation expenses.
- ❖ - Making charitable contributions directly, through a Donor-Advised Fund, Qualified Charitable Distributions if you are subject to RMDs, or a donation of appreciated stock. - Scheduling elective medical or dental procedures in the current year if you will receive a tax benefit. - Accelerating the payment of state and local income taxes if you will receive a tax benefit after the SALT limitations.

Retirement Considerations



- ❖ Making deductible retirement account contributions, including those to employer-sponsored retirement plans and Traditional IRAs.
- ❖ Adopting workplace plans that allow for more aggressive funding.
 - ❖ Contributing to your Health Savings Account.
 - ❖ Harvesting deductible losses.
- ❖ Remember to take advantages of ROTH IRA Ladder
 - ❖ Look into the rule of 55

WHAT'S STILL DEDUCTIBLE VS. WHAT'S NO LONGER DEDUCTIBLE

STILL DEDUCTIBLE



Medical and Dental Expenses

Unreimbursed expenses that exceed **7.5% of your AGI** (was previously 10%).



Home Mortgage Interest

Limited to **\$750,000** in debt acquired after 12/15/17 or **\$1M** in debt for mortgages existing before 12/15/17.



State and Local Taxes

Income, real estate, property, and sales tax. **Capped at \$10,000.**



Home Equity Interest

Only if the loan was used to acquire, construct or substantially improve a qualified residence.



Casualty and Theft Losses

In federal disaster areas.



Charitable Donations

Limit increases from 50% to **60% of AGI.**



Student Loan Interest Deduction

American opportunity credit, Lifetime learning credit, and non-taxable scholarship and grant rules stay the same.

NO LONGER DEDUCTIBLE

(THROUGH 2025)



- Personal exemptions
- Casualty and theft losses for anything besides a federally-declared disaster.
- Interest on home equity indebtedness for anything other than substantial improvements to a qualified residence.
- Unreimbursed employee expenses (*Job travel, mileage, tools, supplies, uniforms, dues and subscriptions, education, union dues, etc.*)
- Moving expenses
- Alimony (*for divorces effective 2019 or later*)



- Tax preparation fees
- Certain attorney and legal fees
- Investment fees and expenses
- Trustee fees for an IRA
- Safe deposit boxes
- Donations to colleges in exchange for athletic event seats (*donors will have to reduce their deductions by the value of those tickets*)
- Tuition and fees deduction (*not to be confused with the still-in-play Education credits*)





Partner with someone who
understands **your business**.

Here's How We Help

1. Cloud-Based Bookkeeping Service
2. Algorithmic Tax Planning
3. Cash Flow Analysis & Revenue Expansion
4. Quarterly Sales Tax Assessment
5. Historical Accounting Clean-Up Service
6. Monthly Consultations



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