

10 Ways to Slash S Corp. Taxes

Proven Strategies for Saving BIG Money

Tax Strategy	How It Works	Bradford Tax Institute Article (click article title for live link)
Reduce S Corporation Owner's Wages	As the owner of an S corporation, you can legitimately cut payroll taxes by thousands of dollars by paying yourself a lower salary and taking the rest of your income as distributions. But you need to make sure that you don't drop your salary below what the IRS considers "reasonable compensation."	How S Corporation Owners Can Cut Taxes by Keeping a Lid on Their Salaries
S Corporation Covers the Owner's Health Insurance Premiums	The S corporation can establish a health insurance plan for the owner-employee who owns more than 2 percent in one of two ways: 1) the S corporation pays the premiums for the owner-employee and family, <i>or</i> 2) the S corporation reimburses the owner-employee for the premiums.	Update: 2018 Health Insurance for S Corporation Owners
Employ Your Child	The S corporation owner must pay payroll taxes on the child's wages, but the family enjoys a decrease in income taxes. Each child can earn up to \$12,000 without paying any federal income taxes.	Tax Reform Increases the Tax Benefits of Employing Your Child

Sell Your Home to Your S Corporation Before Converting It to a Rental Property	If you plan to convert your personal residence into a rental property, consider first selling the home to your S corporation. You can avoid taxes on the sale with the home-sale exclusion of \$250,000 gain (\$500,000 if married). Additionally, you increase the rental property's depreciable basis, which provides for greater depreciation deductions.	Shedding Doubts about Selling Your Home to Your S Corporation
Reimbursement of Home-Office Expenses	When the S corporation reimburses the owner for home-office expenses, this reimbursement is a deduction for the S corporation and tax-free income to the owner.	Lock in the Home-Office Deduction for Your S Corporation
Rent Your Home to Your S Corporation	An S corporation owner can rent his or her entire home to the S corporation for up to 14 days per year and get big tax deductions. The S corporation deducts the full amount of the rent, and the owner realizes the income completely free of income tax.	Tax-Free Rental of Home to C or S Corporation
Reimbursement of Depreciation Expenses	The S corporation can reimburse the S corporation owner for depreciation expenses (as well as Section 179 expenses) related to business use of a vehicle, a home office, and other assets. This is a deduction for the S corporation and tax-free income for the owner.	Reimburse Corporate Owner-Employee for Depreciation
Reimbursement of Vehicle Expenses	A qualifying "heavy" vehicle used for business can produce a substantial Section 179 first-year depreciation deduction. Plus, if your home office qualifies as a principal place of business, business-related trips to and from that home office rack up business miles.	Heavy Vehicle + Deductible Home Office = Major Tax Savings
Reimbursement of Travel Expenses	An S corporation owner who incurs business-related travel expenses <i>must</i> submit an expense report and be reimbursed by the S corporation; other arrangements have disastrous tax consequences.	The Right Way to Ask Your S Corporation for Travel Reimbursements

Cell Phone Expenses

When an S corporation provides an employee with a smartphone or similar telecommunications equipment primarily for non-compensatory business reasons, this is considered a working condition fringe benefit that is excludable from income.

The S corporation can reimburse the employee for the full cost of the phone expenses (including the personal use) and deduct this amount on the corporate tax return. The reimbursement is tax-free income to the employee.

[Create Tax-Free Fringe Benefit Deductions for Your Smartphone](#)