

THE ULTIMATE

TAX STRATEGY GUIDE



30 STEPS
TO SAVING THE
MOST MONEY
ON YOUR TAXES

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BASELINE

I LOVE saving taxes! I LOVE helping MY clients save taxes...AND WHY?... Because I know that saving taxes is directly related to better living The American Dream!

Bottom line...

These 30 Tax Strategies are what my successful and wealthy clients do!

So many people think there isn't much they can do to save taxes...that it's just a matter of plugging in numbers... "it is what it is" or "my accountant is good and there's nothing more I can do" - **WRONG!!!**

You might be trying to find the cheapest and easiest way to do your taxes and there are thousands of accountants out there allowing you to do just that and perpetuating the problem.

However, there **ARE** strategies — and you HAVE options!

You're going to read immediately in Chapter 1 that I am convinced that owning a small business is **CRITICAL** to saving taxes. But it's even easier than you may think. Just operating a "side-hustle" or owning a rental property opens the door to this secret strategy most CPAs don't talk about.

Whatever the case may be regarding your "Dream" and desires; whether it's a side-hustle, trading stocks, real estate, or investing in crypto...I KNOW that tax savings is possible and will help you on your path to better living the American Dream.



EACH Strategy is accompanied with an Article and a video explaining more. Also, in my Membership Site at www.markjkohler.com I have full length videos for BOTH business owners and professionals further explaining every Strategy.

And please don't stop there...I have Blog articles, YouTube videos, Podcasts, and **5 books on Amazon. BUT MOST IMPORTANTLY,** I have an incredible team at my law firm www.kkoslawyers.com and accounting firm www.ke-cpas.com that can provide individual consultations to help you implement many of these strategies.

IN SUM, if you find **ANY** of these 30 strategies interesting, exciting or potentially useful, please keep studying! Visit me at www.markjkohler.com to learn more!

MARK J. KOHLER,

CPA, Attorney and Fellow Entrepreneur

THE 30 POINT TAX STRATEGY CHECKLIST

Level 1 - Tax Strategies for EVERY American

- #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!
- #8 - Self-Direct Your Retirement Accounts

Level 2 - Business Ownership

- #9 - Building a Small Business...Even a Side-Hustle
- #11 - Utilizing the S-Corporation When the Time is Right
- #12 - Health Care Write-Offs for Small Business

Level 3 - Rental Real Estate & Investments

- #10 - Buying Rental Properties

And don't forget, you can also buy Real Estate with Your Retirement Account

- #13 - Auto, Trucks, RVs, and More!
- #14 - Maximizing the Dining Write-Off
- #15 - Paying Children and Grandkids
- #16 - When and How to Pay Your Spouse
- #17 - Home Office Deduction
- #18 - Equipment & Bonus Depreciation
- #19 - Writing Off Cell Phone & Tech Expenses
- #20 - Expensing Travel Whenever Possible!

- #21 - Pass-Thru Rental Losses & Real Estate Professional
- #22 - Cost Segregation That Works!

Use All the Small Business Deductions Possible

- #23 - Installment Sales & 1031 Exchanges
- #24 - Opportunity Zones to Defer AND Save Taxes
- #25 - Capital Gains & Losses: Stocks, Business, Real Estate & Cryptocurrency

Deploy Profits from Your Business into Rental Real Estate & Investments

Next Level Strategies

Level 4 - What Rich People Do & YOU CAN DO AS WELL!

- #26 - Retirement Plan Tax Strategies: Mega Roth, Solo 401k, DB and SEP
- #27 - Estate Tax Planning and Awareness
- #28 - Cash Value Life Insurance
- #29 - Charitable Remainder Trusts

#30

Understanding and Using the Trifecta to Bring it All Together

1 UTILIZE A ROTH WITH CHUNKING – NOT A TRADITIONAL IRA



If you really want to save taxes, **why not avoid taxable income altogether in the first place?!**

I truly believe the Roth IRA is the most effective tax saving and wealth building tool an American can utilize. I recommend to anyone that will listen that the first step in building tax-free wealth is to fund your Roth IRA EVERY YEAR! (Roth 401k later below)

3 STRATEGIES IN THIS "TAX-FREE PLAN"

1 "Match and Out" – If you have a 'day job' with a 401k matching program, participate up to the match and double your money! THEN, get out and max out your Roth IRA (that you can invest with MUCH more flexibility than your employer's 401k). Next, consider funding your HSA, and College savings accounts before going back to the 401k and further maxing it out. Then, if you have more money to save, you can go back to your 401k. Always get the free money first, then fund your personal Roth, and THEN go back to fund your 401k further.

2 Everyone can have a Roth and Fund it – No matter your income you can always have a Roth, or even a Roth 401k. See my article ["The Magic of the Mega Backdoor Roth"](#). No matter your age, you can fund a Roth (you only need earned income and this is easy with a small business). Children can work in the business, and older parents can serve on the Board of Directors.

3 Convert in Chunks to a Roth (aka "Chunking") – Convert as much money as you can each year (keeping the 'tax bill' in mind) from traditional IRAs to a Roth, and/or do the same inside your 401k. BUT, consider doing it in 'chunks' being mindful of your next tax bracket. See my YouTube video ["The Sweet Spot in Roth IRA Conversions & Chunking"](#).

I don't care if you get a write-off for a traditional IRA. You can't prove your tax bracket will be lower in the future, rip the band aid off now! Pay the tax, and build a tax-free Roth for the years to come.

2

STATE TAX STRATEGIC PLANNING - CHANGING DOMICILE



It's becoming more and more common for Americans to move to another state simply to save on State Tax. Currently ten (10) states have an income tax of 7% or more, and California leading the pack at 12.3%. New Jersey, New York and Washington D.C have income tax rates over 10%!

There are eight (8) states that have NO income tax at all:

Alaska
Florida
Nevada

South Dakota
Tennessee

Texas
Washington
Wyoming

Three (3) more states don't tax 401k, IRA, or Pension distributions:

Illinois

Mississippi

Pennsylvania

New Hampshire only imposes an income tax on interest and dividends.

ASK YOURSELF...

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

Run the numbers. It's not as hard as you may think to establish residency in another state, and save on state taxes big time.



3



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

Saving for college is a tricky matter and I have a creative method to tackle it.

The strategy employs a **3 tier tax-preferred structure in a ladder effect**. This method will capture the best of 3 worlds and ultimately create the most effective college savings plan. (1) The Coverdell Education Savings Account, (2) 529 Account, and (3) the Roth IRA.

The problem is that most everyone is fixated on the 529. Wall Street's marketing machine and it's powerful lobby efforts have made the 529 easier to contribute to and work with.

However, there is no ability to control the investments, the fees are extremely high, and the returns are paltry, if not confusing at best.

However, the Coverdell on the other hand, employs a secret weapon that allows you to build a nest-egg for college much faster than the 529. This little-known fact is that you can "self-direct" the investments inside your Coverdell! You can invest in what YOU KNOW BEST...not the options spoon-fed to you by Wall Street and 529 sponsors.

3 STEP APPROACH IN SAVING FOR YOUR CHILDREN'S COLLEGE

- 1 Start with the Coverdell.** Since you can "Self-Direct" the Coverdell, I suggest you fund this account first and get the best rates of return investing in what you know best. ([See Strategy #8 below](#))
- 2 Next, use the Roth IRA to supplement College Savings.** Many parents overlook the power of the Roth for college savings...that's right...the Roth!! Contributions to a Roth for your child can come out penalty and tax-free for college, while the investments inside the account continue to grow tax-free.
- 3 Finally, fund the 529 with discretionary income.** The 529 allows you to put away the most amount of money, but with the least amount of control and the lowest returns, so it comes last in the ladder. Also, note the word 'discretionary income' above. DO NOT sacrifice saving for your OWN retirement first. It's a recipe for disaster.

There are options and lots to learn. See my article "[529 versus ESA: The Best for College Savings](#)".

**Remember, you have choices and not just what
Wall Street is telling AND selling you!!**



UTILIZING A HEALTH SAVINGS ACCOUNT (HSA)

The Health Savings Account or HSA is one of the most powerful pieces of a well-designed health care strategy AND wealth-building strategy. However, they surprisingly continue to be one of the most unknown and underutilized tools in the tax code today. Not any longer if I can help it!!

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

- Saving Taxes with an above-the-line tax deduction at any income level.
- Creating a tax-free 'bucket' you can take with you anywhere you want (essentially a portable Roth IRA for Health Care).
- You can build and self-direct the HSA 'bucket' with any type of investment, not just Wall Street products. **(See Strategy #8 below)**
- The potential to save on health insurance premiums with a high-deductible plan.
- Saving on health care costs by paying cash for services.
- The ability to pull out cash tax-free at any age for a long list of medical expenses and services. **(See IRS Publication 502 for a list of qualifying medical expenses.)**
- Taking CONTROL of your own health care strategy with a proactive approach.

The bottom line is that the HSA puts Americans in control of their own healthcare strategy by helping them save on taxes, reducing out of pocket medical costs, and building a tax-free bucket for future healthcare expenses. See my article ["The Power of the Health Savings Account"](#).

5

STAYING AHEAD OF IRS PENALTIES & INTEREST

Knowing your deadlines and responsibilities when paying and filing taxes IS CRITICAL to SAVING taxes. Penalties and interest can add up quickly.

HERE ARE THE 3 MOST COMMON TYPES OF PENALTIES AND INTEREST THAT HIT AMERICAN TAXPAYERS:

1 LATE PAYMENT PENALTY ON YOUR PERSONAL TAXES

This kicks in if you don't pay any remaining taxes you owe for the prior year by April 15th. (1/2% per month, up to 25% + interest)

2 FAILURE TO FILE PENALTY ON YOUR 1040

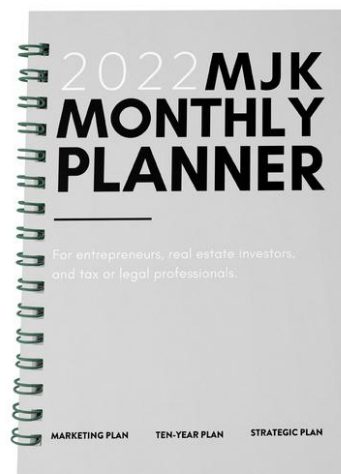
This onerous penalty applies if a taxpayer fails to file an Extension, and misses the April 15th deadline, OR misses the October 15th deadline with an Extension. (5% per month, up to 25% + interest, AND is combined with the Late Payment Penalty.

3 PENALTY FOR UNDERPAYMENT OF ESTIMATED TAXES

This penalty applies if taxpayers didn't deposit during the prior year at least 90% of their current year tax bill, or 100% of what they owed the year before (110% if they made over \$150K). The IRS doesn't want to wait until April 15 for you to pay your taxes, they want you to make deposits throughout the preceding year so you don't leave them high and dry. ALSO, the IRS prefers these payments to be made in equal installments and the bad news is they will charge a penalty if less is paid early and more was paid later.

We live in a great country and there's a price... however the good news is we don't have to pay as much if we are organized, disciplined and efficient. Knowing your deadlines is a huge part of this process.

To try and help my clients 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-buy your 2023 Calendar here!](#)





This may seem like an odd consideration to have on my strategy list, but believe it or not it's pretty important.

With the roll out of the Tax Cuts and Jobs Act in 2018, the 1040 Tax Return as we knew it was overhauled dramatically and gutted of some typical strategies accountants had used for years.

Essentially, we now have a 'dumbed down' version of the Schedule A where it's more difficult to write-off State Taxes, Property Taxes, and Mortgage interest on our primary and 2nd homes. We also were introduced to Schedule 1 that summarized other forms, deductions and credits.

So what do we do? Consider some of the following as you meet with your accountant and really focus in on the items on Schedule A, 1 & 2.

- **If your SALT deduction is limited on your Schedule A, and you are operating a small business with a pass-thru entity, AND you live in a state that allows you to make an election for the company to pay for and expense the state income taxes of the shareholders or members, consider a powerful 'work around' to deduct the entire amount of your state income taxes flowing thru on the K-1.**
- **Doubling down on Charitable deductions in one-year rather than spreading them out over two.**
- **Make sure to carefully review page 2 of Schedule 1 for a number of small and simple, yet often overlooked 'above the line' tax deductions that might be available to you.**
- **Take the optional SE Tax assessment rather than a schedule C.**

7

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



Many Americans don't realize how many cool tax credits there are and what they may qualify for. Yes, there are many that you may 'phase out' of if you make too much money, but there's also a bunch you maybe haven't even heard of.

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	

Each one of these credits will certainly be complicated and have nuances. There will also be phase-outs based on your income, and sometimes even much lower phase-out thresholds than expected. However, don't despair! There can be golden nuggets found in the hills of tax credits!

8

SELF-DIRECT YOUR RETIREMENT ACCOUNTS



THIS is a tax strategy on my checklist because if you want to build up as much tax-deferred, OR tax-free wealth as you can, being able to get more than what Wall Street offers is critical. This is what successful rich people do!

As I mentioned above in Strategy #1, **if the Roth IRA is your vehicle to create tax-free wealth, then self-directing is the fuel that powers that vehicle!** Investing your Roth into what YOU KNOW BEST will allow you to super-charge your Roth and get far greater returns with less fees than Wall Street options.

Remember, when your traditional broker says you have a cool App on your phone where you can 'self-direct' – it's bull crap! It just means that you can direct your money on THEIR platform into the options THEY give you.

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

See my article ["How to Self-Direct my IRA or 401k"](#).

You can 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

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9

BUILDING A SMALL BUSINESS... EVEN A SIDE HUSTLE

Truly – the **SOLUTION** to creating more income, more personal net-worth, and **SAVING** on the number one **COST** in our lives: taxes – is to **HAVE A SMALL BUSINESS**.

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

There is nothing wrong with a 'day-job,' but the true wealthy have business ventures and/or rental real estate...and fyi...owning **ANY** type of rental property is owning a small business!

Now...the actual trick or strategy to saving taxes with a small business is the concept I refer to as "Personal Conversion Expenses".

Millions of Americans **WITHOUT** a small business pay taxes and then pay for a myriad of expenses (Personal Expenses) with after-tax income. And it's true... personal expenses are **NOT** a tax write-off.

BUT what if you have personal expenses that were **NOW** related to a small business and a legitimate write-off? Otherwise stated, you could 'convert' them into a valid business expense – hence the term "Personal Conversion Expense."

See my article ["How a Small Business Saves Taxes and Builds True Wealth."](#)



9

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



Now...disclaimer. I am not...and I repeat **NOT** advocating that you cook up a business just to lose money, **OR** write-off expenses that aren't legitimately related to your business.

Obviously, **YOU** may have your own reasons why you may want to start your own small business, but let me share with you some other compelling reasons as well. If you're still on the fence, these may help you take this leap of faith:

- 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 project you love.
- 4 Turn your hobby into a business that actually **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 your own 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!

I want you to **MAKE** more money! I also want your cell phone to now be a write-off in your business for example, or the travel expenses to visit your family and have a board meeting regarding your business operations. Those are only the beginning and what can be a legitimate write-off!



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 recommending to 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**

See my articles ["How Rental Properties Save Taxes and Build Wealth"](#) and ["How Short-Term Rental Properties are Taxed."](#)

Analyze your personal balance sheet and the amount of rental property you own...then meet with your tax professional to see if you're taking advantage of all the tax strategies related to holding real estate. Also, don't forget to bring up the Real Estate Professional topic as well. **(See Strategy #21 below)**



UTILIZING THE S-CORPORATION WHEN THE TIME IS RIGHT



So many Americans have been brain-washed into thinking the LLC is the first and best move when starting a business — **WRONG!!**

The problem is that if you sell products or services, receive commissions, flip properties, or get a 1099, you're generally going to create ORDINARY INCOME.

Individuals and LLCs WILL pay self-employment tax of 15.3% on a large part of those profits.

The benefit of an S-Corp is that this structure **allows you, the business owner, to MINIMIZE this dreaded self-employment tax.** Essentially, you will pay your share of the SE tax thru 'payroll' out of the S-Corp, and everything else is flow-through income from the profit and NOT subject to SE Tax.

Yes, this is a strategy that can be abused and certainly can cause a mess if not done correctly. But the savings is too much to ignore. See my articles "[When to Use an S-Corporation](#)" and "[How to Maintain My S-Corporation](#)".

Don't listen to your accountant when they say "This is a high risk strategy," or "You need to take more salary, it doesn't work for you," or "In California (or whatever state) it doesn't apply." ALL of those statements are wrong! Get a 2nd opinion...it could be costing you thousands!!



12

HEALTH CARE WRITE-OFFS FOR SMALL BUSINESS



If you thought the Health Savings Account (HSA) was unbelievable ([see Strategy #4 above](#)), **there are even more** strategies for small business owners when it comes to health care expense.

With a side-hustle OR a full-size business with employees, entrepreneurs have more options than any other group of Americans to save on health care costs; and this includes taxes as well as cost-saving strategies. It simply takes a little bit of study and consulting to create a phenomenal strategic plan for health-care expenses and insurance.

HERE ARE JUST 3 OPTIONS TO CONSIDER:

Health Insurance is 100% deductible for the small-business owner.

Even if you don't cover your employee's health insurance, you can write-off yours.

This is a huge benefit for the small-business owner.

See my article ["How to Write-off Health Insurance in My Business."](#)

The Health Reimbursement Arrangement (HRA) is a fantastic strategy for those with higher-than-average medical expenses.

This strategy allows you to set-up your own "benefit plan" for health care and reimburse yourself for ALL of your health care expenses — thereby allowing you to write-off all of your medical expenses through your business rather than being limited by the Schedule A.

Take the Health Insurance Tax Credit.

If you actually do pay for some portion of your employees' health insurance premiums, the Small Business Healthcare Tax Credit for Small Employers is ripe for the taking.

This little gem is a literal dollar-for-dollar tax credit against your income.

See article on ["Health Care Tax Strategies for Small Business Owners."](#)

13

AUTO, TRUCKS, RVs, AND MORE!

I see far too many business owners not take full advantage of the auto deduction. EVERY business owner shouldn't be afraid to take this deduction and understand their options.

First and foremost, **remember the vehicle deduction isn't the 'travel expense.'** The auto deduction is a separate line item all together and relates to the expenses for your car, truck, RV, or motorcycle used in your business.

Also, remember this includes ALL of your vehicles as long as they have some sort of business use. Moreover, you can personally own the vehicle, but write it off in your business. Don't worry about having the business 'own' the vehicle or having the name of the business printed on the side. Just make sure you're using the vehicle for business errands and travel.

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

1 Mileage. On ANY of your vehicles you can use mileage as an EXCELLENT method to expense the business use of your vehicle. In 2022, the write-off is 58.5 cents per mile for the first 1/2 of the year. Then, due to the high cost of gasoline, from July 1, 2022 on July 1, 2022, the rate was raised to 62.5 cents per mile. (NOTE- The IRS will change and update this rate on a regular basis).

2 Actual Expenses. The second method in deducting automobile expenses is by using the actual expenses for the vehicle. When you use this method, you CANNOT use mileage. Essentially, you track your fuel, repairs, maintenance, insurance, tires and then also "depreciate" the vehicle, or take a portion of the lease payment if leasing.

For 7 different options on how to write-off your vehicle, see my article ["The Best Auto Deduction Strategies for Business Owners."](#)



14

MAXIMIZING THE DINING WRITE-OFF

This has to be one of the most underutilized expenses by small-business owners in America today. Many don't realize how creative and simple it can be to maximize this write-off.

Right now, until the end of 2022, a qualified business meal **'Dining' is 100% deductible**. This was a law passed by the Trump administration to help restaurants impacted by Covid. As such, the following expenses would be 100% deductible this year:

- **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**
- **Food for an event or workshop for customers**

ALERT- Starting January 1, 2023, these expenses will be limited to 50% as in years past.

The write-off is still **limited to 50%** for items such as:

- **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**

See my article ["Writing off Dining and Food Expenses in 2021 and 2022."](#)



15

PAYING CHILDREN AND GRANDKIDS

Hiring your children and family members in a small business or rental property operation is a strategy that's been used since the dawn of time in America. Don't be afraid of it, learn about it, and embrace it.

THE KEY PRINCIPLES HERE IS KNOWING THAT:

- Yes, if your kids work in the business you can write-off what you pay them.
- Shifting income into your children's tax bracket makes sense when they earn it, and you were going to help them anyway. Essentially, don't pay taxes in your bracket and then 'give' kids money. Pay them to work in the business.
- You DO NOT have to issue a W-2, and would never issue a 1099, to your children under age 18.
- Your adult children can receive a 1099 if they don't serve as a rank-and-file employee, but provide contract services for the business.
- Grandchildren can work under the 'supervision' of YOUR children and thereby allowing you to take advantage of the same strategy as if they were your kids. In this situation, you are going to 1099 'your kids', who then hire the grandkids to help provide the business services you need.

Now with that said...there are SO MANY procedures, and nuances to this strategy. See my articles ["How to Pay Your Kids in Your Business"](#) and ["Paying Your Grandchildren in the Business."](#)

Demand this strategy of your accountant or tax professional!

WHEN AND HOW TO PAY YOUR SPOUSE

Too many business owners rush to put their spouse on payroll, but for the wrong reasons. It could actually be a costly mistake.

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.

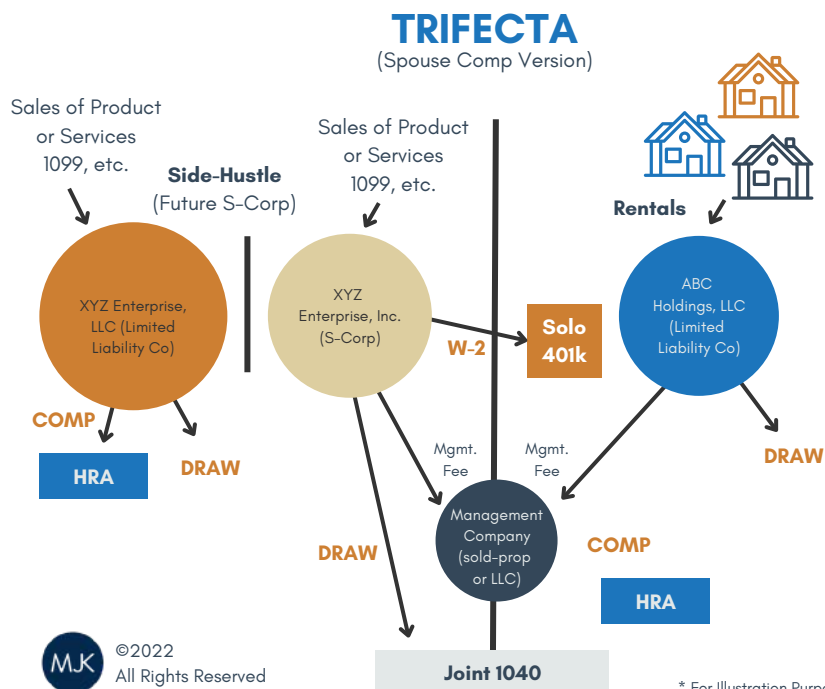
2 POTENTIALLY WRITE-OFF MORE MEDICAL EXPENSES - **RIGHT**

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](#))

See my article "[Should I Put My Spouse on Payroll?](#)"

for more info, unique circumstances, and some good examples!

BOTTOM LINE, make sure you specifically know why you are putting your spouse on payroll and the strategy behind it before blindly trusting anyone's advice on this topic.





HOME OFFICE DEDUCTION

17

I **LOVE** this deduction and it's shocking how many taxpayers are afraid of the home office deduction. It's a valid and legitimate write-off that every small business and rental property owner should be taking advantage of.

The trick is just not being too aggressive. Generally, deductions for a home office are based on the percentage of your home devoted to business use.



There are two options 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.

BOTTOM LINE: make sure you talk with your tax advisor to maximize this deduction. See my article ["The Truth About the Home Office Deduction."](#)

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EQUIPMENT & BONUS DEPRECIATION

Until the end of 2022, business owners are 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 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 will start to be phased down by 20% each year for property placed in service after Dec. 31, 2022, and then fully eliminated in 2028.
- 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.

In 2022, a business owner can still take a deduction for 100% of the purchase price of certain equipment, EVEN IF it creates a flow-thru loss in the business.

BOTTOM LINE, business owners should be having regular conversations with their tax advisors about important purchases and what the possible tax deduction may be.

A WORD OF WARNING:

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.



WRITING OFF CELL PHONE & TECH EXPENSES

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Over the years I've discovered there is a lot of misinformation out there regarding what IS or IS NOT deductible...and this is certainly the case when it comes to the "technology" deduction.

However, some of the best tax deductions for small-business owners, AND legitimate ones, are purchases at Best Buy, Staples, Apple, Microsoft, and on Amazon.



Remember, it's all about tracking the little things. These tax deductions really add up. Track them and don't underestimate their combined benefit on your tax return! See my article "How to Write-Off Technology Expenses and Cell Phone."

Think... if you have a family-owned business, and everyone in the family plays an important role in the business. More than likely every one of those cell phones in the pockets of your family members is also a deduction!!

Consider the following items and how you may 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!

EVERY time an entrepreneur travels it should be a business write-off!!

Unlike meals/dining that have been limited to 50% in the past, **travel expenses have always been 100% deductible!** See my article ["How to Write-off Your Travel Expenses."](#) They include items such as, airfare, baggage fees, hotels, Airbnb, VRBO, rental cars & their gas, Uber, Lyft, and Turo, valet, taxi, trains, and tolls, etc.

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

Consider the five following ideas that you might be able to coordinate with or plan in and around your holiday travel.

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

Another overlooked fact is that you can and should have regular Board Meetings in your LLCs or Corporations. This is a fantastic method to take legitimate and purposeful travel deductions. See my article ["How to Use a Board of Directors."](#)

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PASS-THRU RENTAL LOSSES & REAL ESTATE PROFESSIONAL

Bottom line...buying rental property builds wealth and saves taxes ([See Strategy #10 above](#)).

But it doesn't stop there!! Investors quickly find out that rental properties produce Pass-thru losses primarily because of depreciation and the mortgage interest. How these losses are taxed on their personal 1040 tax return depends on how they are taxed 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."** This designation allows a taxpayer to deduct an additional \$25,000 of losses against ordinary income, however, this deduction phases out quickly based on the taxpayer's Adjusted Gross Income.
- 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.

It's essentially a 3-Part test to qualify and take the losses as a Real Estate Professional. Material participation is required and there are unique nuances on how the tests are applied to the facts in a taxpayer's situation. There are also pros and cons to being classified as a RE Pro...however, if it works, the tax write-offs can be amazing!! See my article ["The Real Estate Professional Tax Strategy."](#)



COST SEGREGATION THAT WORKS!

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Cost Segregation is a technique used by owners of rental real estate (even if it's your own building you're renting to YOUR business). This strategy has been around a long long time; it's just getting talked about a lot more by real estate coaches because it sounds so cool and sexy. However, they typically don't understand its' complexity.

Essentially, the strategy involves 'segregating' or 'breaking down' a property into its pieces as different property types. For example, carpet, appliances, window treatments, furnace, sprinklers, etc.. THEN using Bonus Depreciation, Section 179, or even shorter depreciation schedules for the different 'types' of property - that's it!!

However, things can get complex in several ways and tax advisors need to work with their clients to find the best possible result if a cost segregation study is undertaken.

ASK THESE QUESTIONS:

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

Investors must pay a fee to a Cost Segregation Specialist to complete the 'Study' and create a report. Taxpayers, or their accountant, cannot do the 'report' themselves.

For those that own rental property, just because you CAN do a 'cost seg', doesn't mean you SHOULD.

The trick is not getting the 'study', but being able to USE the losses as an Active Investor or Real Estate Professional (**See Strategy #21 above**).

IF you can't qualify to use the losses they just carry forward and they are essentially worthless. Make sure a Cost Seg Analysis will be to your benefit SO you don't waste your time on it.

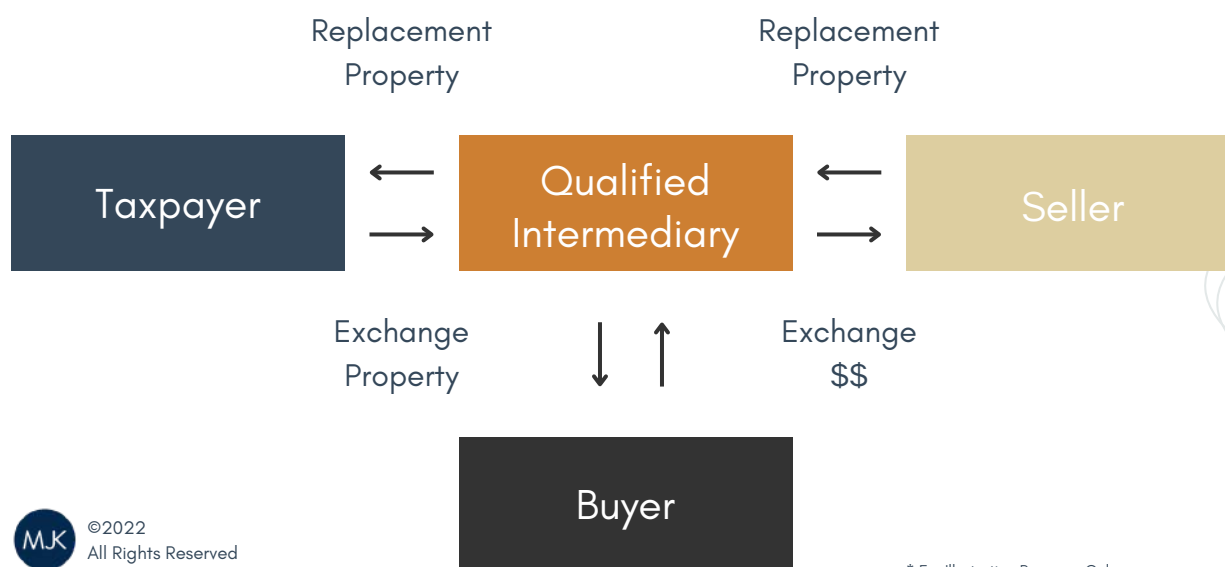
23

INSTALLMENT SALES & 1031 EXCHANGES

When completing an **Installment Sale**, the investor sells a property and takes back a portion of the sale in the form of a "Promissory Note" or "Trust Deed". This allows the investor to 'spread out' the gain over time, and thus delay the tax bill and also keep themselves in a lower tax bracket along the way.

The **1031 Exchange** allows an investor to 'defer' taxes until the sale of the 'next' property they buy. Sounds simple, but a 1031 Exchange is tricky and requires significant planning. Essentially, when you sell your highly appreciated property, you turn around and buy a new property (or properties) of equal or greater value. Here is a visual representation of a typical 1031 transaction:

THE 1031 TRANSACTION



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There are also many other 'Exchange' options (i.e. Reverse Exchanges, Construction Exchanges, TIC Exchanges, and even Exchanges combined with the 121 Sale of Home Exemption). Thus, it's important that even the average real estate investor have a good understanding of the 1031 Exchange and the related strategies. See my article ["When and How to Use the 1031 Exchange."](#)



Opportunity Zones allow investors who have any type of capital gains to defer and/or save on taxes, by investing all or a portion of it in real estate. It could be Capital Gain on any of the following:

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

Essentially, a taxpayer has 6 months from the date of the sale to re-invest the 'capital gain amount' into an OZ location. However, it's not like a 1031 Exchange ([See Strategy #23](#)). The taxpayer can re-invest any or all of the capital gain and doesn't have to re-invest the total 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.

Keep in mind, the process can be complicated, and the taxpayer needs to comply strictly with all of the procedures.

However, many investors have found OZ Properties to be a breath of fresh air and a great investment AND tax strategy. See my article "[How to Invest in Opportunity Zones to Save Taxes.](#)"

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



This is where a good tax advisor and/or preparer really earns their keep. Learning how to mix and match gains and losses for the maximum benefit on a client's tax return is a trick to say the least.

Here's the easiest way to look at it... think of gains and losses as different types of fruit. Sometimes you can mix and match, sometimes you can't.

THE CRAZY WORLD OF NETTING GAINS AND LOSSES



Many taxpayers think (and hope) that if they have a loss in the stock market they can use that loss against real estate gains, or have a loss in real estate or their small business venture, and can use it against their stock gains. That is NOT always the case! Here are **just a few of the rules** you can consider in your strategic planning sessions.

- 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 make a smoothie and blend all of these gains and losses together to save taxes! It's an 'art' on how to mix and match them for maximum tax benefit**

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

Please remember that one of the main goals of ALL this tax planning and strategy is to save money, and THEN use that saved money, to build a big tax-free bucket of wealth (aka Roth).

Contributing to your retirement accounts in a strategic way, and then converting them to Roth accounts when necessary is the key to building this massive tax-free bucket ([See Strategy #1 above](#)). See my article ["The Magic of the Mega Backdoor Roth."](#)



8 CONSIDERATIONS IN DETERMINING THE OPTIMAL RETIREMENT PLAN STRUCTURE FOR TAX PURPOSES (not what you are investing in...but the 'structure'):

- 1. How much can you afford to save each month?** Your budget will affect our choice.
- 2. How much do you already have saved?** You want a balanced approach between pre-tax funds (think personal investment accounts and real estate), versus tax-free or tax-deferred accounts (think Roth IRA, HSA, or Solo 401k.)
- 3. Do you have employees in any of your businesses?** This will impact which retirement plan or the structures you can implement.
- 4. Married or kids?** We 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 afford to pay taxes and build Roths, or do we have to worry on a tax write-off.
- 7. Your tax bracket now and in the 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 want to invest in...generally?** If you are more confident investing in real estate, small business, notes, or even crypto, then you have to create structures that allow for "self-directing" and investing in what YOU know best! ([See Strategy #8 above](#))

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.

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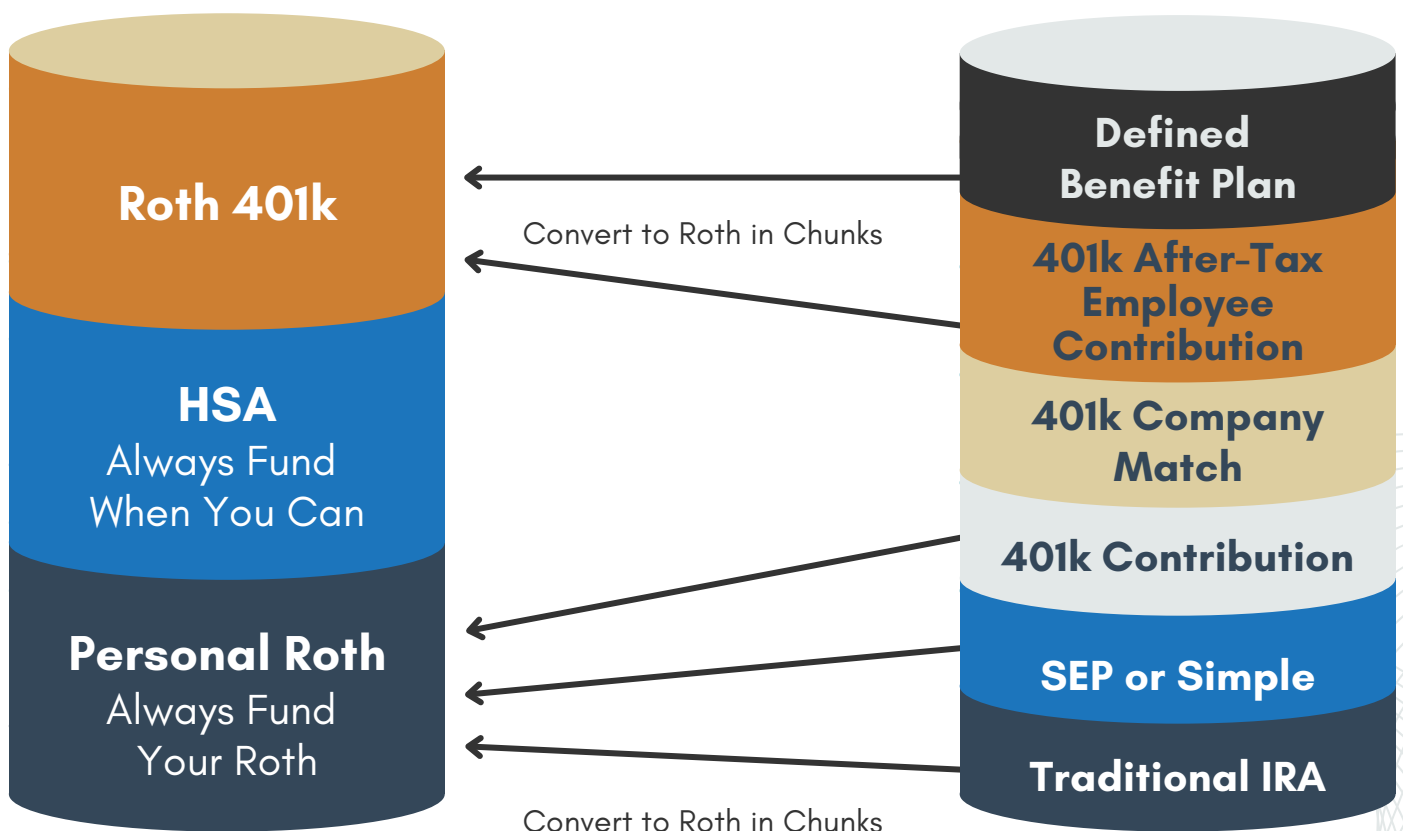
(CONT.)



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' you want to invest in.
I HAVE no interest in selling you investments and making money off of your money – be careful who you take advice from.

Tax-Free Retirement Plan Wealth

Tax-Deferred Retirement Plan Wealth



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**Let Tax Advisors do their job
and let Financial Planners do theirs –
They're different!**

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ESTATE TAX PLANNING AND AWARENESS

Estate planning is the foundation of your Trifecta ([See Strategy #30 below](#)). Your Estate Plan is your Legacy and your Dynasty.

I want you to live your life to the max. Get that bucket list out and DO IT!!

However, I also hate to break you the news...YOU are going to die at some point...and you don't know when. So get your SH!\$ together and don't leave your family a mess! Let's leave anything you might have in a constructive manner to your loved ones, or even a charity.

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 special asset, beneficiaries, your funeral, etc.
- Avoid Probate - NO court involvement
- You name YOUR backups - NO attorneys

How does this save you taxes?! There is a Federal Death Tax and some type of Estate or Inheritance Tax in 19 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 2022, the Feds apply an estate tax of approximately 40% on everything you own above 12.6M
19 states have some sort of inheritance tax of up to 20% on your estate with a value of low as 1M dollars.

See my article ["Do I need a Living Trust: What You Need to Know"](#) and the video ["Estate Planning Series - Part 1: Do I need an Estate Plan."](#)

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CASH VALUE LIFE INSURANCE

I'm pretty opinionated on this topic – just a warning!

Yes, cash value life insurance can do a lot of wonderful things:

- Grow tax-free and provide tax-free access
- Supplement retirement income
- Provide additional savings to dip into for unexpected events
- and of course, provide a death benefit to your heirs/beneficiaries

BUT, it is NOT FOR everyone... Although it's sold by promoters TO EVERYONE!!

I'm sick of all the creative names promoters/agents/advisors come up with to essentially sell the same damn thing: Infinite banking, bank on yourself, 401k alternative...bla bla bla.

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

My Charge to YOU!

"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!"



Remember, life insurance is a **CONTRACT** with an insurance company. If you don't make the payments you're required to, the policy lapses, surrender charges will apply, and all of that cash you have accumulated will be eaten up and disappear!!

Additionally, NOT ALL CASH VALUE POLICIES ARE THE SAME. Some offer cash value that's invested in the stock market, some offer cash value that's based on fluctuations in the stock market, and some just give you whatever the insurance company promises to pay out that year in the form of interest or dividends. Be careful.

HERE'S A CHECKLIST TO MAKE SURE YOU'RE NOT OVERSOLD LIFE INSURANCE:

- 1** Is the insurance agent licensed to sell cash value policies where the cash value is invested in the stock market? You can find this out by doing a FINRA Broker Check search and looking to see if they have a securities license. Also look at the "Disclosure Information" to make sure they don't have any negative client complaints.
- 2** Are the assumptions reasonable? Return assumptions for stock market-based policies should ALWAYS be different than non-stock market-based policies. Be careful, some policies like indexed universal life insurance TRACK the stock market through options contracts, they do not invest in the market. You're relying on the insurance company's ability to predict moves in the market.
- 3** Again, do you have the resources to pay the planned premiums? Don't risk losing all of your hard-earned monthly premiums to surrender charges!!

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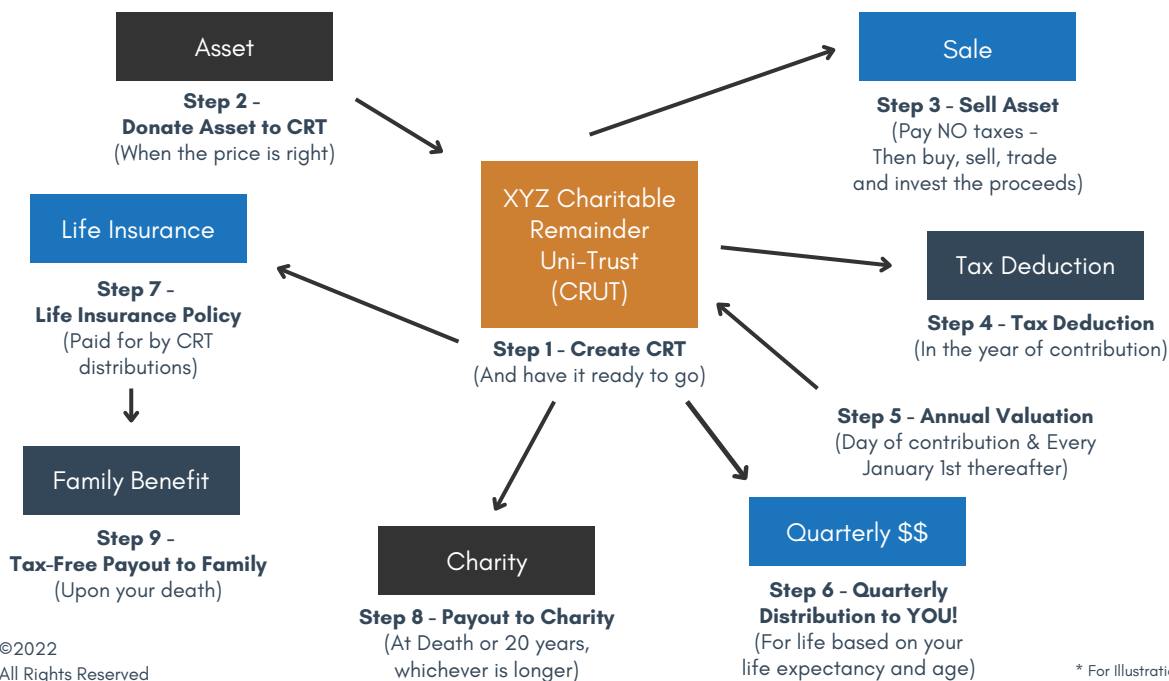
CHARITABLE REMAINDER TRUSTS



The **Charitable Remainder Trust** or CRT is an extremely powerful tool for multiple reasons: Saving taxes, creating a stream of income, asset protection, and of course benefiting a charity, are just to name a few.

There are also a variety of ways a CRT can be designed based on the creativity of the planner and the needs of the taxpayer. Historically, CRTs were used for highly appreciated real estate transactions where the seller potentially faced a hefty tax. However, they are now used more and more in small business sales, stock, and even cryptocurrency.

Implementing a Charitable Remainder Uni-Trust



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See my article ["The Power of the Charitable Remainder Trust."](#)

Now, although the CRT looks like an incredible tax strategy, it really only starts to make sense when you have an asset with a built-in-gain of 300k-500k or more.

30

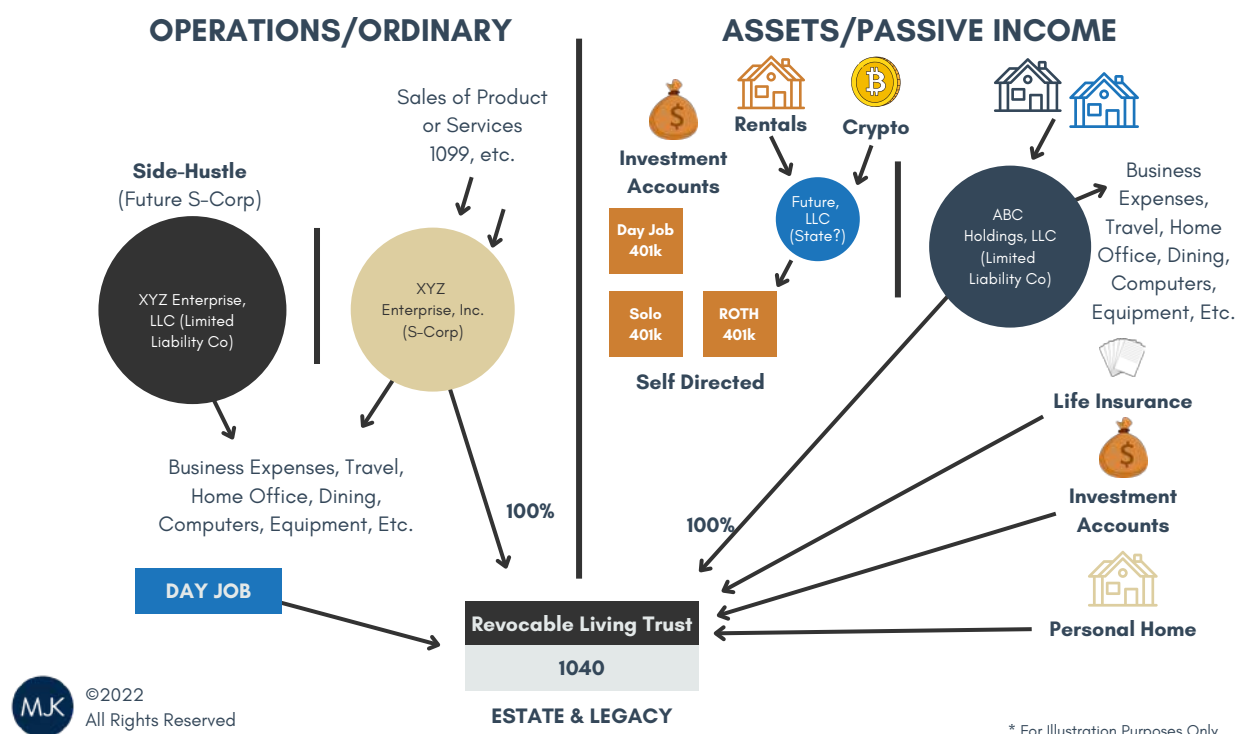
UNDERSTANDING AND USING THE TRIFECTA TO BRING IT ALL TOGETHER

IT ALL STARTS AND ENDS HERE!! Trust me. This is what brings all of the tax strategies, wealth building, asset protection, and estate planning together.

My successful clients have a literal 'picture' of what they are trying to accomplish. They are organized, writing-off expenses strategically, building wealth in multiple ways, considering asset protection, and bringing it all together with a legacy plan with a simple revocable living trust.

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

THE BASIC TRIFECTA



The **3 Parts** of the Trifecta are: Operations on the left, Assets on the right, and it all flows down into your Estate and Tax Return.

We build it so you can share it with your Tax Advisor, Insurance Agent, Financial Advisor, Board of Directors, Family...Everyone! Bring it alive by manifesting to yourself and everyone around you!!

The "Trifecta" brings it all together and helps you save THOUSANDS!! See my YouTube video ["Every American Building Wealth Needs to Know the Trifecta - 10 Reasons Why."](#)

Call [KKOS lawyers](#) to work with a real Tax Attorney, one on one to build a Trifecta tailored to you.



THE CALL TO ACTION

As you can see, my message is **much more than just saving TAXES!!**

TWO ACTION ITEMS:

1 Call KKOS Lawyers to meet with a business consultant and tax lawyer to review your tax returns and build you a Trifecta to use with your advisors. 888-801-0010 or www.kkoslawyers.com

2 Get my Weekly Calls and Training on all these Strategies AND MORE thru my Membership Site:

Visit www.markjkohler.com

Make a plan. Start NOW saving more on your tax returns. Demand more from your tax preparer, planner and financial advisor. You are the captain of your own ship. Don't think a tax return is simply plugging in numbers—there is strategy involved!

Wealth building, entrepreneurship and saving taxes are all part of the equation. A much bigger equation!!

Keep living the dream!

Mark J. Kohler

CPA, Attorney at Law, Entrepreneur,
Family Man, Surfer