



## End of Year Tax Strategies for Small Businesses

**I**f you own a small business, there are many considerations when planning your business taxes. In many cases, you have choices regarding the timing of income and expenses that can impact your taxes both for this year and next. One of the best things you can do is plan your taxes ahead of time.

Your best line of defense when it comes to taxes is to always consult a tax professional ahead of time.

***Getting a jump on tax planning and preparation will save you time and money in the long run.***

This will allow you to get the most out of your tax preparation, rather than waiting until the last moment, missing out on opportunities for using certain strategies, and stressing out about the process.

**Consider implementing some of these end-of-year tax strategies for your small business:**

**1. Buy a work vehicle.** If you need to haul stuff or people around for your business, consider the tax advantage that comes with buying a work vehicle. “Heavy” SUVs that get 50% of their use from your business qualify for a write-off of \$25,000, thanks to Section 179 first year depreciation.

*Note:* There are specific considerations to make with this write-off, so check out the depreciation rules for work vehicles before you make the purchase.

**2. Buy other equipment.** First-year depreciations through Section 179 come in many forms, including things other than work vehicles. If you buy new and used business software and equipment, you can take a write-off of as much as \$250,000.

*Note:* This equipment consideration includes office furniture, computer systems, machinery, and software as long as you’re buying it and putting it to use in the current tax year.

**3. Prepay next year’s expenses.** You can prepay expenses for next year to create additional deductions for your upcoming tax return. ***Buy next year’s equipment now, or pay other upcoming expenses prior to the end of this year.*** Now you can claim these expenses as deductions and save yourself additional money before tax season.

*Note:* You can pay expenses using checks, and mail the checks at the end of the year. Even though they won't be cashed or deposited until the New Year, tax law states that ***you can still deduct these expenses because you mailed the checks in this tax year.***

**4. Delay some income.** If you're expecting to be in the same tax bracket next year, delay some of your income until the beginning of the next year to cut down on how much you'll have to pay in taxes for this year.

*Note:* Deferring some income, coupled with accelerating some deductions, will postpone some of your tax bill and allow you to save money when your taxes for this year are due.

**5. Accelerate some income.** The opposite is true if you plan to be in a higher tax bracket in the coming year. Here you need to *accelerate* some income into the current year while postponing some deductible expenses until the following year so that you realize tax savings on your higher tax bill in the coming years.

*Note:* A balance between the two, accelerating and delaying, is also viable to potentially lower both of the tax bills, the upcoming year's bill and the one for next year.

## The Bottom Line

As a business owner, it's important to consider your tax strategies all year long. You have many opportunities for tax savings and deductions throughout the year. However, keeping these strategies in mind as the year comes to an end will help you maximize your strategies for both this year and next.



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