

MONTHLY ONLINE EVENT WITH NETWORKING  
OPPORTUNITIES

# Profit Maximization Strategy Series

Running Your Business by the Numbers



## To Pay Taxes or Not To Pay Taxes, that is The Question

(Session #8)

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# Session #8

## To Pay Taxes or Not To Pay Taxes, that is The Question



- Nobody wants to pay more taxes, but...
  - Everyone wants to make more profit
- Profit maximization strategies could affect your taxes.
- Your tax strategy may affect your profitability



# The Challenge



- Most businesses are less profitable than they should be.
- Many business owners don't know how to maximize their profitability.
- Economics aside, there are proven strategies to maximize your profitability.



# Is This For You?



- Business Owners who are:
  - Generating revenue
  - Looking to increase profitability
  - Wanting to create a sustainable business
  - Seeking to Work ON Their Business Not IN It
  - Looking to maximize value of their business





# What You'll Learn Today

- Fundamentals of Personal & Business Taxation
- Levers for Managing Business Income
- Strategies for Reducing Business Taxes





# Review

- What are the 3 key financial statements?
- Which one is most important?
- What are the major categories on each?



# Fundamentals of Taxation

- Personal Tax Basics
  - Income, withholdings, and deductions
- Business Tax Requirements Vary Based on Entity Type
  - Forms, due dates, deductions, and rates
- Other Types of Business Taxes
  - State, local, payroll, sales & use, property, etc.
- Non-Resident Taxes
  - Paying Taxes to Multiple Jurisdictions





# Personal Tax Basics

- Progressive – make more pay more
- Withholdings – make payments over time to avoid huge bill
- Due April 15<sup>th</sup> but you can get 6-month extension on filing
  - Payment still due by deadline and interest is accrued starting then.
- Best Practices Avoiding IRS Issues
  - File a return
  - File it on time
  - Pay something



# Business Entities

| Business Type                   | Ownership   | Liability  | Taxes  |
|---------------------------------|---|--|--|
| Sole Proprietorship             | One person  | Personal Liability Unlimited                                       | Personal Taxes   |
| Partnership                     | Two or more people  | Personal Liability is Unlimited UNLESS it is a Limited Partnership | Self-Employment Taxes (unless Limited Partnership); Personal Taxes |
| Limited Liability Company (LLC) | One or More People  | Owners are NOT Personally Liable                                   | Self-Employment Tax; Personal or Corporate Tax                     |
| C Corp                          | One or More People  | Owners are NOT Personally Liable                                   | Corporate Tax  |
| S Corp                          | One or more people, but no more than 100, and all must be U.S. citizens | Owners are NOT Personally Liable                                   | Personal Tax   |
| Nonprofit Corporation           | One or More People  | Owners are NOT Personally Liable                                   | Tax-exempt, but corporate profits can't be distributed             |



# Taxation Requirement Based On Entity

- 1040 Personal Return - Schedule C
  - Sole Proprietorships and Single Member LLCs
  - Due April 15<sup>th</sup>
- 1065 Partnership w/ K-1s
  - Partnerships and Multi-Member LLCs
  - Due March 15<sup>th</sup>
- 1120 U.S. Corporation Income Tax Return
  - Corporations (C & S)
  - Due March 15<sup>th</sup>



# Other Business Taxes & Fees

- State & Local Taxes
- Self-Employment Tax
- Estimated Tax
- Sales Taxes
- Payroll Taxes
- Property Taxes
- Import/Export Taxes/Tariffs
- Excise (Industry Based)
  - Parking, Hotels, liquor, tobacco, gasoline, etc.



# Avoiding and Surviving Tax Audits

Examination of your tax return by the IRS to verify that your income and deductions are accurate.

## Avoiding

- Engage In Best Practices
  - Report Your Income Fully
  - Keep Accurate, Organized Records
  - Don't Consistently Show Losses
  - Avoid Excessive Expenses and Drastic Changes in them
- Audits are Random, They Can Happen Anyway
  - Less than 1% of personal returns annually
  - 1% - 4% of businesses depending on structure and annual revenue

## Surviving

- Stay Calm
- Get Clarity About Scope of Audit
- Get Help Don't Go It Alone
- Cooperate Don't Obstruct
- Payment Plans / Installment Agreements
- Appeals Process



# Levers for Managing Business Income



- Revenue Recognition
- Capitalization of Assets
- Inventory Management
- Capital Investments
- Financing & Leasing
- Staffing and Human Resources

# Strategies for Reducing Business Taxes

- Deductions
- Tax Credits
  - R&D, payroll, cost segregation
- Employee Benefits & Insurance
- Write-Offs
  - Debts, inventory
- Depreciation & Amortization
  - Accelerated,
- Profit Sharing
- Tax Abatements & TIF
- Enterprise Zone





# Review

- What are the 3 best practices to avoid tax problems?
- How can you reduce the likelihood of being audited?
- What should you do if you get audited?



# QUESTIONS

# Session #9

## Key Performance Indicators and Important Trends



- What gets measured gets done!
- Drive improvement and greater efficiency
- Measuring performance regularly to...
  - See important trends
  - Identify potential challenges
  - Capitalize on opportunities
- Drive greater profitability with less risk





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