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overlook the items that could potentially help them save money on their tax bill. To help SMB owners, the American Institute of CPAs offers the following tips for tax time.

Taija Sparkman • Mar. 17, 2013



Tax season can be daunting and stressful for many small business owners. Faced with ever changing tax laws and confusing policies, businesses sometimes overlook the items that could potentially help them save money on their tax bill.

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- Be aware of possible red flags. There are several things that could garner attention from the IRS, such as claiming deductions that exceed your income for two or more years. In addition, the home office deduction is only allowable under certain circumstances. Small business owners should take caution when claiming deductions and ensure they are familiar with the rules regarding each one.
- If you have earned income, you qualify for a tax-deductible retirement plan. The funds you pay into the retirement plan are deductible and will grow tax-free until retirement.
- Starting in 2012, small business owners may deduct up to \$500,000 for equipment purchases totaling \$2 million or less for the year. Repairs may also be deductible.
- Do not use withheld payroll taxes to finance business operations. The IRS will go after the owner's personal assets to recoup the unpaid payroll taxes and may even try to pursue significant penalties.
- If you provide health care coverage for your employees, you may be eligible for the small business health care tax credit.
- Business owners who hire qualified unemployed veterans may be eligible for an expanded tax credit.
- Any donated goods or out-of-pocket expenses to charitable organizations may qualify your business for a deduction for your contributions. Make sure to get a valuation for any non-cash items and keep all receipts and records.
- Finally, meet with your CPA regularly to discuss your financial situation. Year-round communication can help you identify action items before it's too late and keep your tax bill as low as possible.

The AICPA offers tons of tax advice and tips for small business owners on its [360](#)

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