CPA Practice Advisor

what should they do?

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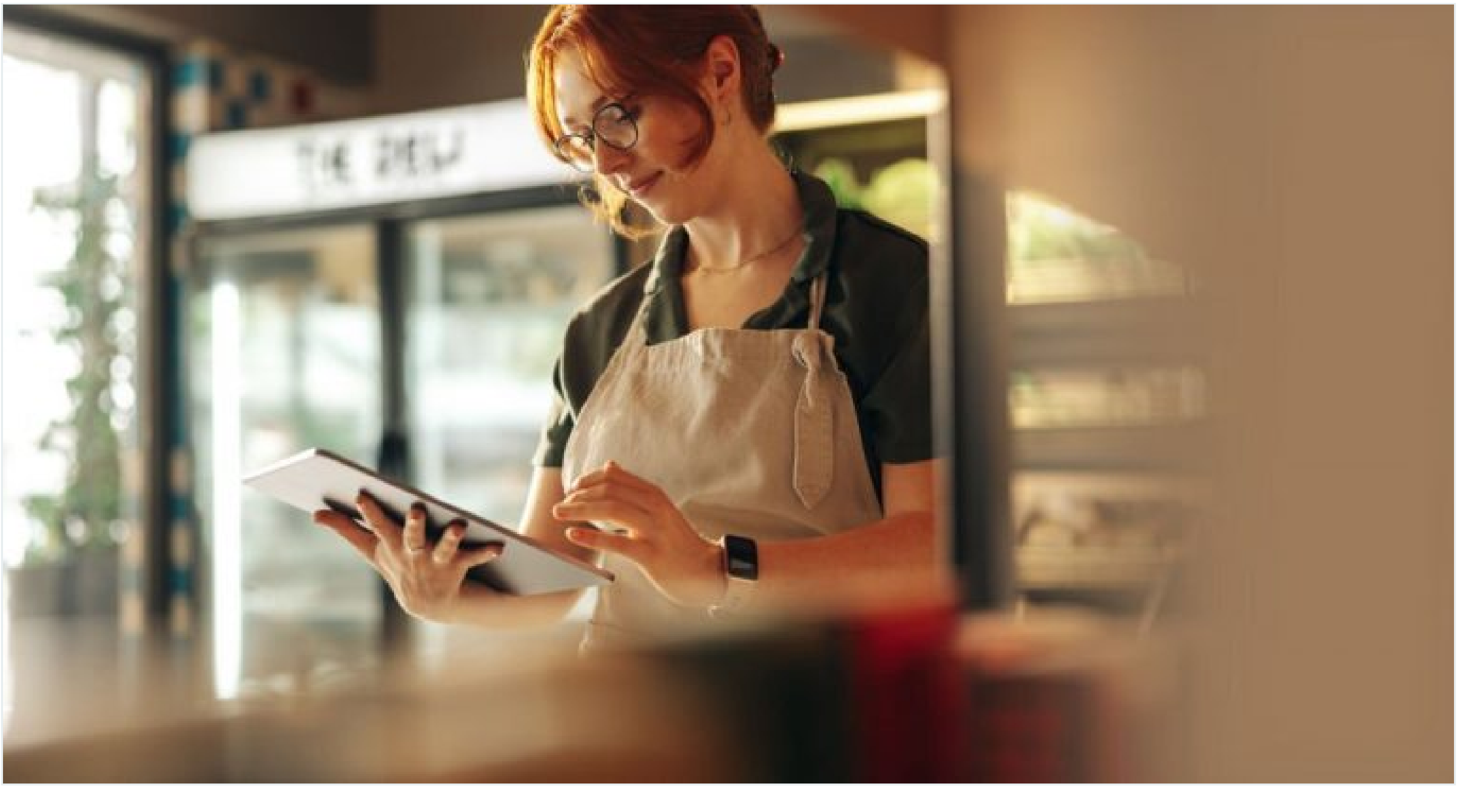

By Bruce Willey, JD, CPA, Kiplinger Consumer News Service (TNS)

A buzzword appeared in the world of small business about a decade ago: the accountant as "most trusted advisor."

As a certified public accountant, I'm flattered that we're consulted for a growing range of business needs, including rising taxes. But with the increasing complexity of modern business and regulations, and a worsening shortage of CPAs, the truth is that small business accountants rarely help clients optimize their tax strategies.

Dedicated tax-planning services are a must-have for most business owners, as the

It's understandable that business owners haven't thought of ways to get more out of their accountant. Everyone is wearing more hats and juggling more balls these days. Still, the failure to recognize the importance of proper tax planning adds up. Depending on your state and business type, at least a third of your profits will go to various layers of government. And overpaying taxes not only prevents owners and employees from accumulating wealth or enjoying more income, but it also starves a business of capital, restraining growth and making it more vulnerable to economic downturns and other adverse events.

Sometimes the best way to improve a company's return on capital is to better manage tax liabilities. The dramatic impact that a favorable turn in tax-related flows can have was demonstrated by the Employee Retention Credit, the refundable tax credit given to companies during the COVID-19 pandemic. A similar boost was the Tax Cuts and Jobs Act of 2017, which slashed corporate taxes to a 21% rate. A good tax strategy can be akin to having such a tailwind *every* year, with a 40% reduction a realistic benchmark.

Meanwhile, it is hard to overestimate the pending tax burdens facing small business owners. Many of the benefits of the 2017 tax bill, including the qualified business income deduction and bonus depreciation, are set to phase out in the next two years. And that prized 21% corporate rate might soon go away. The upshot: Taxes are going up—big time—at least for those who are not planning ahead.

So what should business owners do?

The first step is to avoid frantically Googling for a tax lawyer or those who give specialized advice, which can run the gamut from comprehensive tax planning for small businesses to transaction-specific services. Instead, you ought to get a better understanding of your firm's financials and current tax situation—what is on your

Instead, the responsibility falls on the business owner, who reflexively sends her accountant information without taking the time to ask whether anything is being done to minimize tax obligations.

Meanwhile, remember that "planning" is exactly that. You can't begin work on a tax plan in mid-December and successfully execute a new strategy right after the holidays—not to mention enjoy benefits for the year that has gone by.

I like to encourage business owners to look at the problem as if it's a supply-chain issue, such as a shortage in a component that's necessary for their business. What do you do? You investigate the problem. You ask questions and talk to people you know and trust about what they are doing. And above all, you don't assume that someone else is going to solve your problem if you aren't.

Finally, if you decide to explore the option of specialized tax planning, be rigorous in asking about the potential benefits. A professional in this niche should have success stories about companies such as yours.

And don't assume your business is too small to be their next success—especially as *everyone's* business taxes, including theirs, are soon about to get much bigger.

ABOUT THE AUTHOR

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