



15 Tax Planning Moves for Business Owners

lower your lifetime tax bill

15 Tax Planning Moves for You



The goal is to limit your *lifetime tax bill*. Try to limit taxes on a year-to-year basis, with an eye on the future as well.

I. Setup a Business Retirement Account

A Solo 401(k), SEP IRA, or SIMPLE IRA allows business owners to contribute pre-tax dollars, reducing taxable income while saving for retirement. The Solo 401(k) is especially powerful, letting you contribute both as an employee and employer, maximizing your deferral.

II. Pick the Right Tax Election

Choosing the right tax structure—LLC, S-corp, or C-corp—can significantly impact your tax liability. Electing S-corp status allows you to take part of your earnings as distributions, reducing self-employment taxes.

III. Maximize the QBI Deduction

The Qualified Business Income (QBI) deduction allows eligible pass-through entities (S-corps, LLCs, sole proprietors) to deduct up to 20% of business profits. Proper planning—like reducing W-2 wages or staying under taxable income thresholds—can help maximize this deduction.

IV. Hire Your Spouses or Older Kids

Paying your spouse or children (if they perform legitimate work) shifts income to lower tax brackets. If hiring your kids under 18, their income may be tax-free up to the standard deduction, and wages are not subject to Social Security and Medicare taxes if paid by a sole proprietorship.

V. Setup a Cash Balance of Defined Benefit Plan

A Cash Balance Plan lets high-income business owners contribute significantly more than a 401(k), potentially deferring hundreds of thousands in taxes. These plans work well for those looking to accelerate retirement savings while reducing taxable income.



VI. Accelerate or Defer Income

Shifting income strategically can help manage tax brackets. If you expect higher taxes next year, accelerate income and delay deductions. If tax rates are expected to drop, defer income to take advantage of lower rates.

VII. Donate to Charity

Making charitable donations—especially in appreciated stock or donor-advised funds—can lower taxable income while eliminating capital gains tax. For those with fluctuating incomes, bundling multiple years of donations into a single year can maximize itemized deductions.

VIII. Contribute to an HSA

A Health Savings Account (HSA) offers a triple tax benefit: tax-deductible contributions, tax-free growth, and tax-free withdrawals for medical expenses. Business owners with high-deductible health plans should maximize this account yearly.

IX. Contribute to an IRA, Roth IRA, or Backdoor IRA

A Traditional IRA reduces taxable income, while a Roth IRA grows tax-free. High earners can use a Backdoor Roth IRA strategy—contributing after-tax dollars to a traditional IRA and converting it to a Roth—to bypass income limits.

X. Mega Back Door IRA

For those with a Solo 401(k) that allows after-tax contributions, the Mega Backdoor Roth strategy can supercharge retirement savings. After-tax contributions can be rolled into a Roth IRA, growing tax-free without the usual income restrictions.

XI. Roth Conversions

If you expect lower-income years or tax rates to rise, converting a Traditional IRA or 401(k) to a Roth IRA locks in lower tax rates. This strategy is particularly useful when income dips, like during early retirement or business slowdowns.

XII. Set up a system to document and track expenses – mileage, phone, WiFi, etc.

Meticulously tracking expenses—mileage, phone, Wi-Fi, home office deductions—ensures you're claiming every legitimate business deduction. Using accounting software or apps like MileIQ for mileage can streamline this process and protect against IRS scrutiny.

XIII. Invest in Real Estate – REPS status, Short Term Rental Loop Hole

Real Estate Professional Status (REPS) allows rental losses to offset active income, reducing tax liability. Short-term rentals (Airbnb, VRBO) may qualify for tax-free income treatment if they meet specific material participation rules.

XIV. Set up high-yield business cash account

Idle business cash should work for you. A high-yield business account provides liquidity while earning interest, minimizing lost earnings potential. Some accounts also offer tax benefits by offsetting business expenses.

XV. Set up high-yield personal cash account

Your personal emergency fund should also be earning. A high-yield savings account or money market fund allows your cash to grow while staying accessible, helping hedge against inflation and keeping taxable interest low.