



Save Money on Taxes.

Increase Net Worth.

Accounting & Tax Advisory Services | Presented by John A. Sanchez CPA



**JAS&Co.**  
John A. Sanchez & Company  
CPA's + Consultants



## About me...

- John Sanchez, Founder John A. Sanchez & Company (JAS&Co) in 2010
- Started Tax & CFO Advisory services in 2019.
- Raising the bar for clients looking for 'Something more' from their CPA relationship.



# The JAS&Co Team

**JAS&Co.**  
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# The Sanchez Family



# “New Rule” Tax Strategies for Building Wealth





Old Rule – Paradigms, Mindsets, Conventional thinking that dominate decision-making.



New Rule – Foundational change in how we view, think, & act – Opening up a new realm of possibilities that were previously unseen.

## Owner Profile:

**Business Profits**

**\$480,000**

**Married with 3 Dependent Children**

**Practice Value – Planned sale**

**\$2,000,000**





Old Rule – Maximize  
owner wages &  
bonuses.



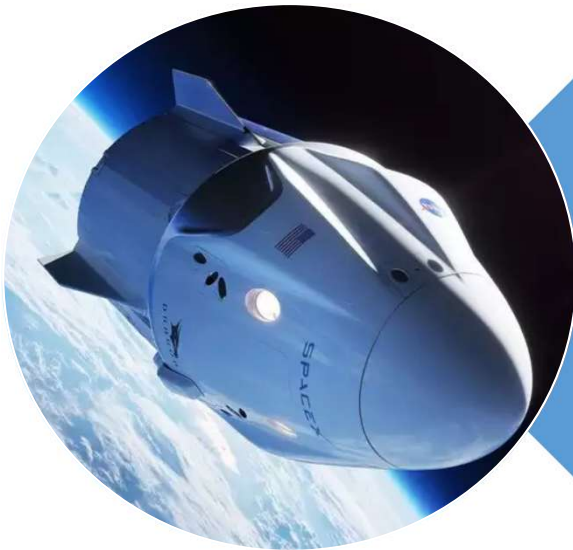
## Old Rule

<b>PROJECTED <i>PRACTICE</i> INCOME AND EXPENSES</b>	
<b>Gross Sales</b>	<b>\$2,000,000</b>
<b>OPERATING EXPENSES</b>	
(-) SG&A	\$1,520,000
<b>ESTIMATED PROFIT BEFORE OWNER WAGES/BONUS</b>	<b>\$480,000</b>
(-) Wages to Owner/Officer	\$300,000
(-) Health Insurance Premiums	\$14,500
(-) Payroll Tax - ER portion FICA/SS <b>(6.2% on 1st \$168,600 for 2024)</b>	\$10,453
(-) Payroll Tax - ER portion MCare <b>(1.45% - no limit))</b>	\$8,700
<b>ESTIMATED PROFIT</b>	<b>\$146,347</b>



## Old Rule

TOTAL TAXES PAID	
SS/MEDICARE TAX: EE plus ER portion (15.3%)	\$29,606
FEDERAL: ADDITIONAL MCARE TAX (.9% WAGES >\$250K)	\$450
FEDERAL: Total Federal Income Tax:	\$156,221
TOTAL ESTIMATED TAX DUE	\$186,278
Marginal Tax rate:	32%



New Rule –  
Maximize cash flow  
with Tax Efficient  
Structure.



## New Rule

- ▶ Maximize S-Corp Strategy (tax efficient)
- ▶ Re-structure personal income (cash flow) by combining “reasonable compensation” with profit distributions.

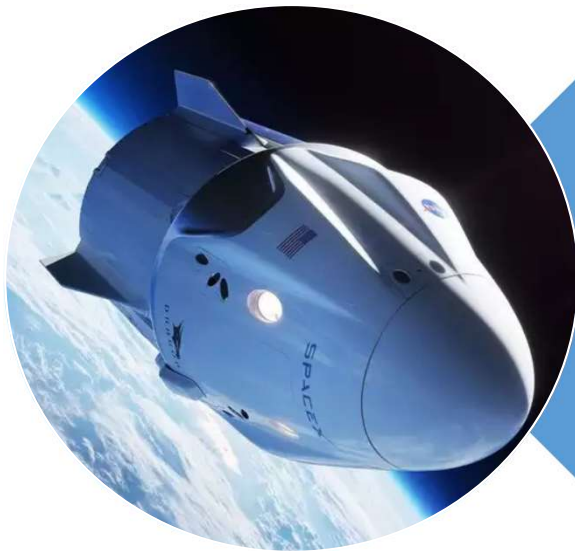


## New Rule

PROJECTED <i>PRACTICE</i> INCOME AND EXPENSES	Planning
Gross Sales	\$2,000,000
<b>OPERATING EXPENSES</b>	
(-) SG&A	\$1,520,000
<b>ESTIMATED PROFIT BEFORE OWNER WAGES/BONUS</b>	<b>\$480,000</b>
(-) Wages to Owner/Officer	\$115,000
(-) Health Insurance Premiums	\$14,500
(-) Payroll Tax - ER portion FICA/SS (6.2% on 1st \$168,600 for 2024)	\$7,130
(-) Payroll Tax - ER portion MCare (1.45% - no limit))	\$3,335
<b>ESTIMATED PROFIT</b>	<b>\$340,035</b>
<b>TOTAL TAXES PAID</b>	
SS/MEDICARE TAX: EE plus ER portion (15.3%)	\$17,595
FEDERAL: ADDITIONAL MCARE TAX (.9% WAGES >\$250K)	\$0
FEDERAL: Total Federal Income Tax:	\$159,262
<b>TOTAL ESTIMATED TAX DUE</b>	<b>\$176,857</b>
<b>Marginal Tax rate:</b>	<b>32%</b>

## New Rule

PROJECTED PRACTICE INCOME AND EXPENSES	No Planning	Planning
Gross Sales	\$2,000,000	\$2,000,000
OPERATING EXPENSES		
(-) SG&A	\$1,520,000	\$1,520,000
ESTIMATED PROFIT BEFORE OWNER WAGES/BONUS	\$480,000	\$480,000
(-) Wages to Owner/Officer	\$300,000	\$115,000
(-) Health Insurance Premiums	\$14,500	\$14,500
(-) Payroll Tax - ER portion FICA/SS (6.2% on 1st \$168,600 for 2024)	\$10,453	\$7,130
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ESTIMATED PROFIT	\$146,347	\$340,035
TOTAL TAXES PAID		
SS/MEDICARE TAX: EE plus ER portion (15.3%)	\$29,606	\$17,595
FEDERAL: ADDITIONAL MCARE TAX (.9% WAGES >\$250K)	\$450	\$0
FEDERAL: Total Federal Income Tax:	\$156,221	\$159,262
TOTAL ESTIMATED TAX DUE	\$186,278	\$176,857
Marginal Tax rate:	32%	32%
	TOTAL SAVINGS	\$9,421



Tax Efficient  
Structure Savings  
(10 years)

**\$94,210**

The most **EXPENSIVE**  
form of income is W2  
wages....

# Wages & Reasonable Compensation

- W2 Income - Most expensive income you can have
- All subject to Social Security/Medicare tax (15.3%)
  - FICA/SS (12.3%) wage limit 2024 – **\$168,600**
  - FICA/SS (12.3%) wage limit 2025 - **\$176,100**
  - Mcare (2.9%) wage limit - **Unlimited**
- Develop a “compensation plan” with your business
- Look for opportunities for alternative types of income
- S-Corporations: **Understand “reasonable compensation”**

**Expect increased IRS audits for  
Reasonable Comp non-compliance!**

JOE BIDEN

## Biden may owe up to \$500K in back taxes

Biden may have improperly used 'S corporations' to avoid taxes on speaking fees and book sales

By Michael Lee · Fox News

Published September 23, 2021 8:36pm EDT | Updated September 24, 2021 2:14am EDT





New Rule



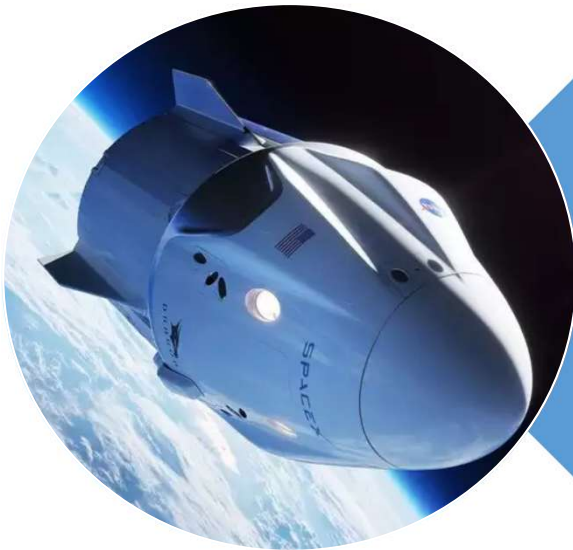
# §199A DEDUCTION PLANNING



## New Rule

- §199A Deduction is 20% of **Qualified Business Income** (QBI)
- Phased-in Limits for Taxable income \$315k-\$415k (MFJ) & \$157.5k-\$207.5k (Single).
- If limits exceeded QBID is limited to:
  - Greater of (a) 50% of W2 Wages OR
  - (b) sum of 25% of W2 wages + 2.5% of qualified property

<b>PROJECTED PRACTICE INCOME AND EXPENSES</b>	<b>Planning</b>
<b>Gross Sales</b>	<b>\$2,000,000</b>
<b>OPERATING EXPENSES</b>	
(-) Wages & Salaries	\$440,000
(-) SG&A	\$1,080,000
<b>ESTIMATED PROFIT BEFORE OWNER WAGES/BONUS</b>	<b>\$480,000</b>
(-) Wages to Owner/Officer	\$115,000
(-) Health Insurance Premiums	\$14,500
(-) Payroll Tax - ER portion FICA/SS <b>(6.2% on 1st \$168,600 for 2024)</b>	\$7,130
(-) Payroll Tax - ER portion MCare <b>(1.45% - no limit))</b>	\$3,335
<b>ESTIMATED PROFIT</b>	<b>\$340,035</b>
<b>\$199a Deduction Calculation (Lesser of)</b>	
<b>20% QBI</b>	<b>\$68,007</b>
<b>50% Wages</b>	<b>\$277,500</b>
<b>QBID</b>	<b>\$68,007</b>
<b>QBID Tax Shield (32% Bracket)</b>	<b>\$21,762</b>



§199a Deduction  
(10 years)

**\$ 217,620**

Other §199a Deduction Factors to consider:




>Beware SSTB's!

## Specified Service Trade or Business:



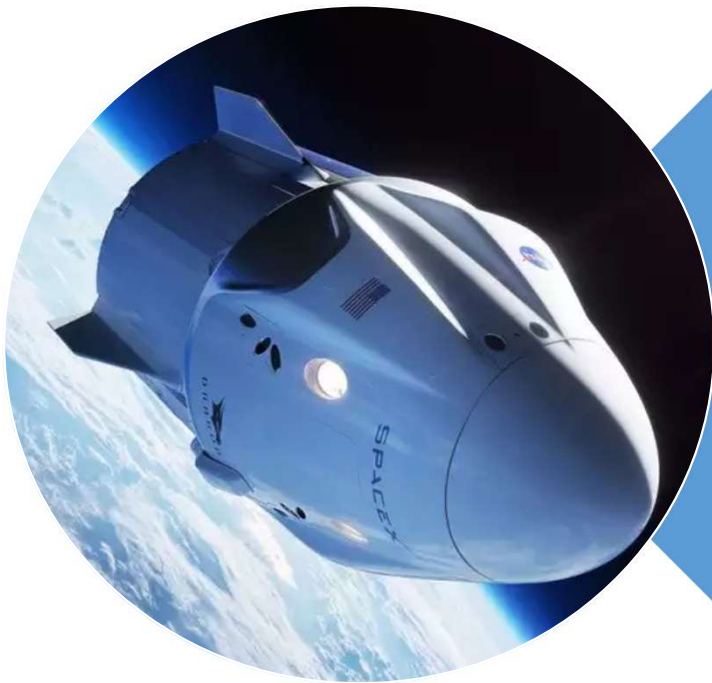
>is a trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, investing and investment management, trading, dealing in certain assets or any trade or business principal asset is the reputation or skill of one or more of its employees or owners.

## Specified Service Trade or Business:

- Phased-OUT Limits for Taxable income \$315k-\$415k (MFJ) & \$157.5k-\$207.5k (Single).
- Taxable Income <\$315k (MFJ) or <\$157.5k(S)? 
- Taxable income inside Phase-Out range? 
- Taxable income OUTSIDE range? 



Old Rule – Lifestyle  
funded with after tax  
revenue.



New Rule – Pre-Tax  
lifestyle expenses.

# ► Pre-tax your Lifestyle





# Home Office Expense -

## Accountable Reimbursement Plan



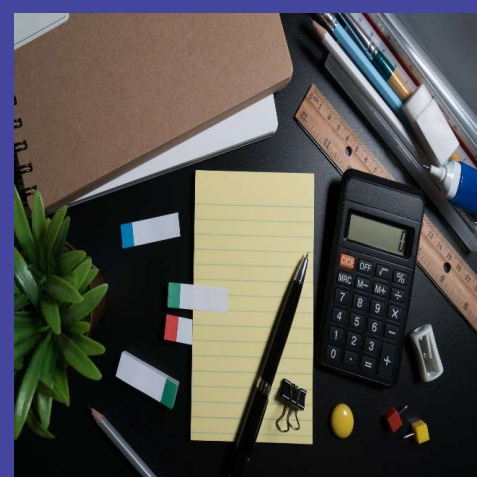
# 100% Deductible Costs



Internet Access



Business Phone, Fax,  
& Mobile



Office Supplies



Computers/IT Equipment

## Home Office Deduction

Rules to qualify for deduction:

1. Regular & Exclusive Use.
2. Principal Place of Business.
  - a) Used for Admin/Mgt activities and
  - b) No other location to perform activities above



BUSINESS USE OF HOME	Business Use of Home - SQ Footage				
		SQ Feet			
	Total Home SQ Footage	5,000	Home Office SQ Footage	500	
	Home Office Business Use Percentage		10.00%		
	Itemized Home Office Expenses - Paid from Personal Account				
	Date	Item for Reimbursement	Total Cost	Home Office %	Business Exp. Amount
	MM/DD/YY	Depreciation	\$25,000.00	10%	\$2,500.00
	MM/DD/YY	Mortgage Interest	\$20,000.00	10%	\$2,000.00
	MM/DD/YY	Property Tax	\$10,000.00	10%	\$1,000.00
	MM/DD/YY	Utilities	\$15,000.00	10%	\$1,500.00
	MM/DD/YY	Insurance	\$7,500.00	10%	\$750.00
	MM/DD/YY	Security	\$2,500.00	10%	\$250.00
	MM/DD/YY	Repairs & Maintenance	\$8,500.00	10%	\$850.00
			Totals	\$88,500.00	

## New Rule Savings



Home Office Deduction  
\$8,850.00

**Pre-Tax Lifestyle Savings : \$2,832**

(\$8,850 deduction x 32% Tax Bracket)



# Augusta Rule

**JS&Co.**  
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## Augusta Rule

**>IRS §280A – tax free rent income  
for up to 14 days per year.**

**>Home cannot be primary place of  
business (vacation/2<sup>nd</sup> home?)**



## Augusta Rule

### >Rent must be reasonable

- Comparative rate for area providers? (Hotel, Mtg Facility)
- Air BnB, VRBO, Homeaway
- Keep documentation for Rent rate
- Rent must be **ACTUALLY** paid (arms-length)



## Augusta Rule

### >Valid Uses:

- Management meetings (Qtrly?)
- Staff Holiday Party



- **Estimated Daily Rent - \$850**
- **1Q/2Q/3Q/4Q Mgt Meetings**
- **Staff Christmas Party**
- **Annual Planning Meeting**
- ❖ **Annual Tax Free Rent Income - \$5,100**

## New Rule Savings



Augusta Rule Deduction  
(6 Days)  
\$5,100.00

**Pre-Tax Lifestyle Savings : \$1,632**

(\$5,100 deduction x 32% Tax Bracket)



# Auto Expense





## Auto Expense

> Buy vs. Lease?

> Deductible costs - BUSINESS USE ONLY

Actual Expenses (MUST be >50% Business Use)

Depreciation - Section 179 & Bonus

Luxury Auto Limits

Standard Mileage Rate (cents per mile)

.67 per mile for 2024

> Record Keeping Requirements

**Must Keep Mileage Logs & Documentation**



Type of Vehicle		Lease vs. Buy
Trucks > 6000 lbs	\$179 limit: \$28,900	Always purchase in Business
SUVs > 6000 lbs	\$179 limit: \$28,900	Always purchase in Business
Sedans	Miles > 15,000/Yr	Analyze to Maximize
Sedans	Miles < 15,000/Yr	Lease in Company
Sedans	Any miles w/ Buy-out option	Lease in Company; Buy if <\$28,900



### Luxury Auto Limits for 2024 - with BONUS Depreciation

<b>Year 1</b>	<b>\$</b>	<b>20,400.00</b>
<b>Year 2</b>	<b>\$</b>	<b>19,800.00</b>
<b>Year 3</b>	<b>\$</b>	<b>11,900.00</b>
<b>Years 4+</b>	<b>\$</b>	<b>7,160.00</b>

### Luxury Auto Limits for 2024 - NO BONUS Depreciation

<b>Year 1</b>	<b>\$</b>	<b>12,400.00</b>
<b>Year 2</b>	<b>\$</b>	<b>19,500.00</b>
<b>Year 3</b>	<b>\$</b>	<b>11,900.00</b>
<b>Years 4+</b>	<b>\$</b>	<b>7,160.00</b>

Which is better? Standard Mileage Rate (SMR) or Actual Expenses					
Total Miles for Auto	20,000		Auto Purchase Price	\$40,000.00	
Business Miles Driven	15,000		Basis for Depreciation	\$30,000.00	
Actual Expenses (Must be >50% Business)	\$5,000.00	(includes: gas, oil, maint., repair, insurance)			
SMR Rate (cents per mile) - 2024	\$0.67				
Business Percentage Use	75.00%				
METHOD	Year 1	Year 2	Year 3	Year 4	Totals
SMR (Standard Mileage Rate Deduction)	\$10,050.00	\$10,050.00	\$10,050.00	\$10,050.00	\$40,200.00
Once you start with Actual Expense Plus Depreciation - you have to stay with that method while that auto is in use.					
Actual Expense Plus Depreciation					
Actual Expenses	\$3,750.00	\$3,750.00	\$3,750.00	\$3,750.00	\$15,000.00
Depreciation - Section 179 Depreciation					\$0.00
Depreciation - Bonus on New Auto	\$6,000.00				\$6,000.00
Depreciation - Regular Depreciation	\$9,300.00	\$14,850.00	\$8,925.00	\$5,370.00	\$38,445.00
Total Actual + Depreciation	\$19,050.00	\$18,600.00	\$12,675.00	\$9,120.00	\$59,445.00
UPON SALE OR DISPOSAL			REMEMBER TO KEEP MILEAGE LOG DOCUMENTATION		
SMR (Standard Mileage Rate Deduction)	No Depreciation Recapture				
Actual Expense	You will have Depreciation Recapture				

## Mileage Log Requirements

1. Date of trip
2. Business purpose of trip
3. Miles driven during the trip
4. Total Miles driven for the year
  - ❖ Business miles and personal miles

**NO DOCUMENTATION = NO DEDUCTION ON AUDIT**

## New Rule Savings






Auto Expense Deduction  
**\$14,861** (4-year Average)

**Pre-Tax Lifestyle Savings : \$4,756**

(\$14,861 deduction x 32% Tax Bracket)

## ► Pre-tax your Lifestyle



	Home Office Deduction	\$8,850
	Augusta Rule Deduction	\$5,100
	Auto Expense Deduction	\$14,861

Pre-Tax Lifestyle Annual Savings : **\$2,832**

Pre-Tax Lifestyle Annual Savings : **\$1,632**

Pre-Tax Lifestyle Annual Savings : **\$4,756**

**Pre-Tax Lifestyle Savings : \$92,200**

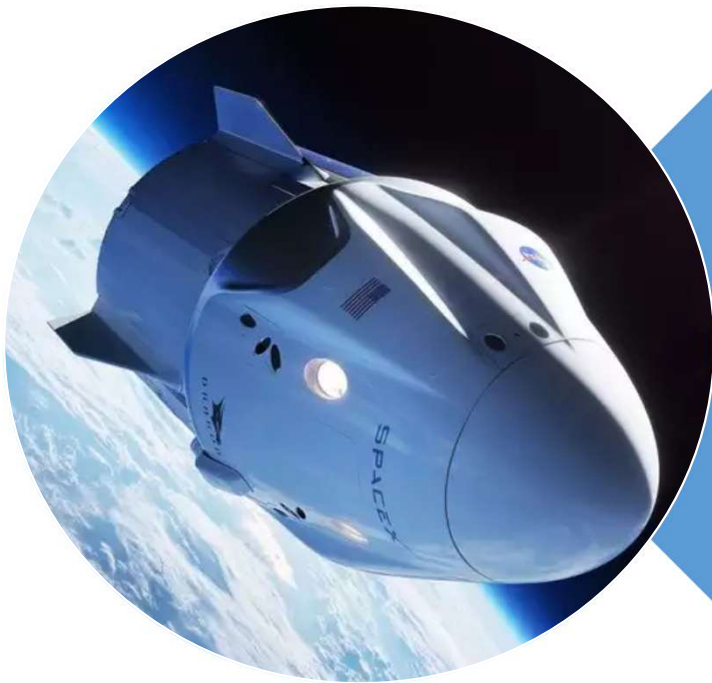
$(\$2,832 + \$1,632 + \$4,756) = \$9,220 \text{ Annual} \times 10 \text{ Years}$

# Retirement Plans





Old Rule – My business  
sale is my Nest Egg.



New Rule – 3X your  
wealth building  
potential.



# Typical Plan Sponsor

<b>SIMPLE-IRA</b>	<b>SEP-IRA</b>	<b>Solo 401(k)</b>	<b>401(k) Plan</b>	<b>Safe Harbor 401(k) Plan</b>	<b>Profit Sharing Plan</b>	<b>Cash Balance Plan</b>
All businesses with fewer than 100 employees.	All businesses.	All businesses with no common law employees.	All businesses, except governmental agencies.	All businesses, except governmental agencies.	All businesses.	All highly profitable businesses with consistent profit patterns.

# Tax Advantages

SIMPLE-IRA	SEP-IRA	Solo 401(k)	401(k) Plan	Safe Harbor 401(k) Plan	Profit Sharing Plan	Cash Balance Plan
Provides pre-tax retirement savings and easy administration. No tax filings required.	All businesses.	Allows sole-proprietors the ability to contribute maximum deferrals plus 20% to 25% of their income to a bankruptcy proof trust. No tax filings until assets reach \$250KVaries depending on situation.	Provides an effective tax tool and employee benefit with employer control. Roth contributions allowed for high income taxpayers.	Great for small, family owned businesses who wish to avoid ADP/ACP and Top-Heavy discrimination tests. Roth contributions allowed.	Often added to a 401k giving the sponsor the discretion to contribute a total of 25% of eligible plan compensation. Contribution amounts can vary greatly among owners and Eligible employees.	Allows owners who are 40+ to contribute much higher contributions per year. Cash Balance plans are paired with 401k plans to achieve individual contribution limits of \$135,000 to \$300,000+.

# Plan Funded By

<b>SIMPLE-IRA</b>	<b>SEP-IRA</b>	<b>Solo 401(k)</b>	<b>401(k) Plan</b>	<b>Safe Harbor 401(k) Plan</b>	<b>Profit Sharing Plan</b>	<b>Cash Balance Plan</b>
Employee and employer.	Employer.	Employee and employer.	Employee and employer.	Employee and employer.	Employer.	Employer.

# Participant Eligibility Requirements

<b>SIMPLE-IRA</b>	<b>SEP-IRA</b>	<b>Solo 401(k)</b>	<b>401(k) Plan</b>	<b>Safe Harbor 401(k) Plan</b>	<b>Profit Sharing Plan</b>	<b>Cash Balance Plan</b>
Employees earning \$5,000 in two prior years	May impose age 21 with any service in three out of five years.	Varies depending on situation.	May impose age 21 and 1 year of service with 1,000 hours.	May impose age 21 and 1 year of service with 1,000 hours.	May impose age 21 and 1 year of service with 1,000 hours. 2 years if 100% vesting.	May impose age 21 and 1 year of service with 1,000 hours.

# Maximum Annual Individual Contribution

SIMPLE-IRA	SEP-IRA	Solo 401(k)	401(k) Plan	Safe Harbor 401(k) Plan	Profit Sharing Plan	Cash Balance Plan
100% of compensation up to \$16,500 (indexed) Additional \$3,500 in catchup deferrals if age 50+.	Not applicable.	100% of Income up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catchup deferrals if age 50+.	100% of compensation up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catch-up deferrals if age 50+.	100% of compensation up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catch-up deferrals if age 50+.	Not applicable.	Not applicable.

# Maximum Annual Employer Contribution

SIMPLE-IRA	SEP-IRA	Solo 401(k)	401(k) Plan	Safe Harbor 401(k) Plan	Profit Sharing Plan	Cash Balance Plan
<p>Choice of two required contributions:</p> <p>1. Match 100% up to 3% of compensation OR</p> <p>2. Contribution of 2% of compensation to all eligible employees. The match can be reduced in 2 out of 5 years. No additional employer contributions are allowed.</p>	<p>Discretionary employer contributions up to 25% of eligible employee compensation.</p>	<p>20% of Schedule C Income or K-1 income and 25% of W-2 Income PLUS \$23,500 in employee deferrals (indexed). Additional \$7,500 in catchup deferrals if age 50 at anytime during the plan year. Income is limited to \$350K (indexed)</p>	<p>25% of eligible employee compensation. Individual eligible employee compensation is limited to \$350K (indexed). Individual total contributions may not exceed \$70,000 / \$77,500 if catch-up (indexed).</p>	<p>Choice of one Safe Harbor Match formula or SH Non-Elective:</p> <p>1(a). Basic Match 100% up to 3% of compensation plus 50% of next 2% of compensation.</p> <p>1(b). Enhanced Match 100% up to 4% of compensation. (The enhanced match is easier to explain and setup on payroll). OR</p> <p>2. Contribution of 3% of compensation to all eligible employees.</p>	<p>Discretionary contributions up to 25% of eligible employee compensation. Individual eligible employee compensation is limited to \$350K (indexed). Individual total contributions may not exceed \$77,500 (indexed).</p>	<p>Contributions are MANDATORY and based on age and wage. Owner contributions are often set at a percentage of income which may be adjusted every 3 to 5 years. Wages are limited to \$350,000 (indexed). Individual contribution limits from \$135,000 to \$341,000 per person depending on age and wage.</p>

# Vesting Schedule and Conditions

## SIMPLE-IRA

100%  
immediate  
vesting.

## SEP-IRA

100%  
immediate  
vesting.

## Solo 401(k)

100%  
immediate  
vesting.

## 401(k) Plan

Vesting schedule  
available.  
Employer contributions  
may be subject to  
requirements such as  
1,000 hours of service  
and/or  
employment on the  
last day of  
the plan year.

## Safe Harbor 401(k) Plan

100% immediate  
vesting on all  
Safe Harbor  
contributions.  
Additional  
discretionary  
employer  
contributions may  
be subject to a  
vesting schedule.

## Profit Sharing Plan

Vesting schedule  
available.  
Contributions may be  
subject to  
requirements such as  
1,000  
hours of service and/or  
employment on the  
last day of  
the plan year.

## Cash Balance Plan

Vesting schedule  
available.  
Employer  
contributions are not  
subject to  
requirements in  
most cases in order  
to pass the  
discrimination tests.

# Loans Available

SIMPLE-IRA	SEP-IRA	Solo 401(k)	401(k) Plan	Safe Harbor 401(k) Plan	Profit Sharing Plan	Cash Balance Plan
NO	NO	YES	YES	YES	YES	YES

# When to Establish

<b>SIMPLE-IRA</b>	<b>SEP-IRA</b>	<b>Solo 401(k)</b>	<b>401(k) Plan</b>	<b>Safe Harbor 401(k) Plan</b>	<b>Profit Sharing Plan</b>	<b>Cash Balance Plan</b>
No later than October 1st.	Anytime prior to tax filing.	Prior to fiscal year end.	Prior to fiscal year end.	No later than 3 months prior to plan year-end.	Prior to fiscal year end.	Prior to fiscal year end.

**Note** – The SECURE act allows for plan adoptions before the due date of the tax return – including Extensions. This option is not available for simple 401(k) plans, but can be done for Safe Harbor 401(k) plan If the non-elective contribution is increased to at least 4%.

## 2021 RETIREMENT PLAN COMPARISON CHART

	<b>SIMPLE-IRA</b>	<b>SEP-IRA</b>	<b>Solo 401(k)</b>	<b>401(k) Plan</b>	<b>Safe Harbor 401(k) Plan</b>	<b>Profit Sharing Plan</b>	<b>Cash Balance Plan</b>
<b>Target or Typical Plan Sponsor</b>	All businesses with fewer than 100 employees.	All businesses.	All businesses with no common law employees.	All businesses, except governmental agencies.	All businesses, except governmental agencies.	All businesses.	All highly profitable businesses with consistent profit patterns.
<b>Advantages</b>	Provides pre-tax retirement savings and easy administration. No tax filings required.	All businesses.	Allows sole-proprietors the ability to contribute maximum deferrals plus 20% to 25% of their income to a bankruptcy proof trust. No tax filings until assets reach \$250K	Provides an effective tax tool and employee benefit with employer control. Roth contributions allowed for high income taxpayers.	Great for small, family owned businesses who wish to avoid ADP/ACP and Top-Heavy discrimination tests. Roth contributions allowed.	Often added to a 401k giving the sponsor the discretion to contribute a total of 25% of eligible plan compensation. Contribution amounts can vary greatly among owners and eligible employees.	Allows owners who are 40+ to contribute much higher contributions per year. Cash Balance plans are paired with 401k plans to achieve individual contribution limits of \$135,000 to \$300,000+.
<b>Funded By</b>	Employee and employer.	Employer.	Employee and employer.	Employee and employer.	Employee and employer.	Employer.	Employer.
<b>Eligibility Requirements</b>	Employees earning \$5,000 in two prior years.	May impose age 21 with any service in three out of five years.	Varies depending on situation.	May impose age 21 and 1 year of service with 1,000 hours.	May impose age 21 and 1 year of service with 1,000 hours.	May impose age 21 and 1 year of service with 1,000 hours. 2 years if 100% vesting.	May impose age 21 and 1 year of service with 1,000 hours.
<b>Maximum Annual Individual Contribution</b>	100% of compensation up to \$16,500 (indexed) Additional \$3,500 in catchup deferrals if age 50+.	Not applicable.	100% of Income up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catchup deferrals if age 50+.	100% of compensation up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catch-up deferrals if age 50+.	100% of compensation up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catch-up deferrals if age 50+.	Not applicable.	Not applicable.
<b>Maximum Annual Employer Contribution</b>	Choice of two required contributions: 1. Match 100% up to 3% of compensation OR 2. Contribution of 2% of compensation to all eligible employees. The match can be reduced in 2 out of 5 years. No additional employer contributions are allowed.	Discretionary employer contributions up to 25% of eligible employee compensation.	20% of Schedule C Income or K-1 income and 25% of W-2 Income PLUS \$23,500 in employee deferrals (indexed). Additional \$7,500 in catchup deferrals if age 50 at anytime during the plan year. Income is limited to \$285K (indexed)	25% of eligible employee compensation. Individual eligible employee compensation is limited to \$350K (indexed). Individual total contributions may not exceed \$70,000 / \$77,500 if catch-up eligible (indexed).	Choice of one Safe Harbor Match formula or SH Non-Elective: 1(a). Basic Match 100% up to 3% of compensation plus 50% of next 2% of compensation. 1(b). Enhanced Match 100% up to 4% of compensation. (The enhanced match is easier to explain and setup on payroll). OR 2. Contribution of 3% of compensation to all eligible employees.	Discretionary contributions up to 25% of eligible employee compensation. Individual eligible employee compensation is limited to \$350K (indexed). Individual total contributions may not exceed \$58,000 (indexed).	Contributions are MANDATORY and based on age and wage. Owner contributions are often set at a percentage of income which may be adjusted every 3 to 5 years. Wages are limited to \$350,000 (indexed). Individual contribution limits from \$135,000 to \$341,000 per person depending on age and wage.
<b>Vesting Schedule and Conditions</b>	100% immediate vesting.	100% immediate vesting.	100% immediate vesting.	Vesting schedule available. Employer contributions may be subject to requirements such as 1,000 hours of service and/or employment on the last day of the plan year.	100% immediate vesting on all Safe Harbor contributions. Additional discretionary employer contributions may be subject to a vesting schedule.	Vesting schedule available. Contributions may be subject to requirements such as 1,000 hours of service and/or employment on the last day of the plan year.	Vesting schedule available. Employer contributions are not subject to requirements in most cases in order to pass the discrimination tests.
<b>Discrimination Testing &amp; Government Reporting</b>	ADP - No Top Heavy - No Govt. Reporting - No	ADP/ACP - No Top Heavy - Yes Govt. Reporting - No	ADP/ACP - No Top Heavy - No Govt. Reporting if >\$250K	ADP/ACP - Yes Top Heavy - Yes Govt. Reporting - Yes	ADP/ACP - No Top Heavy - No Govt. Reporting - Yes	ADP/ACP - No Top Heavy - Yes Govt. Reporting - Yes	ADP/ACP - No Top Heavy - Yes Govt. Reporting - Yes
<b>Loans Available</b>	No	No	Yes	Yes	Yes	Yes	Yes
<b>When to Establish</b>	No later than October 1st.	Anytime prior to tax filing.	Prior to fiscal year end.	Prior to fiscal year end.	No later than 3 months prior to plan year-end. See SECURE Act.	Prior to fiscal year end.	Prior to fiscal year end.



# Example Plan Election

Safe Harbor 401(k) Plan	Profit Sharing Plan
100% of compensation up to \$23,500 in employee deferrals (indexed). Additional \$7,500 in catch-up deferrals if age 50+.	Discretionary contributions up to 25% of eligible employee compensation. Individual eligible employee compensation is limited to \$350K (indexed). Individual total contributions may not exceed \$70,000 (indexed).

## New Rule Savings



Retirement Plan Deduction  
\$70,000.00

**Tax Savings : \$224,000**

(\$70,000 deduction x 32% Tax Bracket) x 10 Years

# Retirement Plan Wealth Generation

## Enter Your Information

Enter your current age.

Enter the age you plan to retire.

If you were born in 1960 or later, you can retire at age 67 with full benefits.

About how much money do you currently have in investments?

This should be the total of all your investment accounts, including 401(k)s, IRAs, mutual funds, etc.

How much will you contribute monthly?

This is the amount you invest each month. We recommend investing 15% of your paycheck.

What do you think your annual return will be?

 %

This is the return your investment will generate over time. Historically, the 30-year return of the S&P 500 has been roughly 10–12%.<sup>1</sup>

Calculate

## Your Results

### ESTIMATED RETIREMENT SAVINGS

In 15 years, your investment could be worth:

\$1,989,722

INITIAL BALANCE

\$ 1

0% of Total

CONTRIBUTIONS

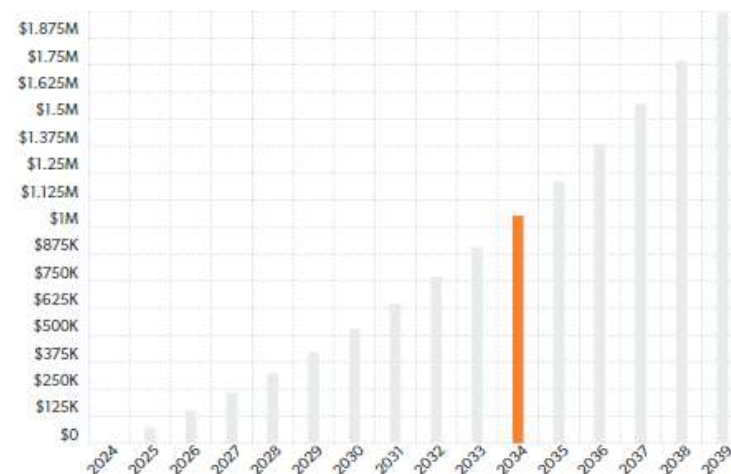
\$ 1,035,000

52% of Total

GROWTH

\$ 954,721

48% of Total



# Re-Invested Tax Savings

## Enter Your Information

Enter your current age.

40

Enter the age you plan to retire.

55

If you were born in 1960 or later, you can retire at age 67 with full benefits.

About how much money do you currently have in investments?

\$ 100083

This should be the total of all your investment accounts, including 401(k)s, IRAs, mutual funds, etc.

How much will you contribute monthly?

\$ .1

This is the amount you invest each month. We recommend investing 15% of your paycheck.

What do you think your annual return will be?

8

%

This is the return your investment will generate over time. Historically, the 30-year return of the S&P 500 has been roughly 10-12%.<sup>1</sup>

Calculate

## Your Results

### ESTIMATED RETIREMENT SAVINGS

In 15 years, your investment could be worth:

\$331,001

#### INITIAL BALANCE

\$ 100,083

30% of Total

#### CONTRIBUTIONS

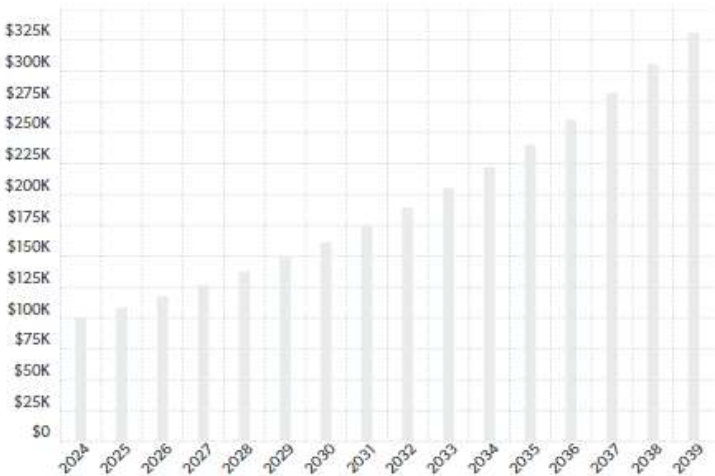
\$ 18

0% of Total

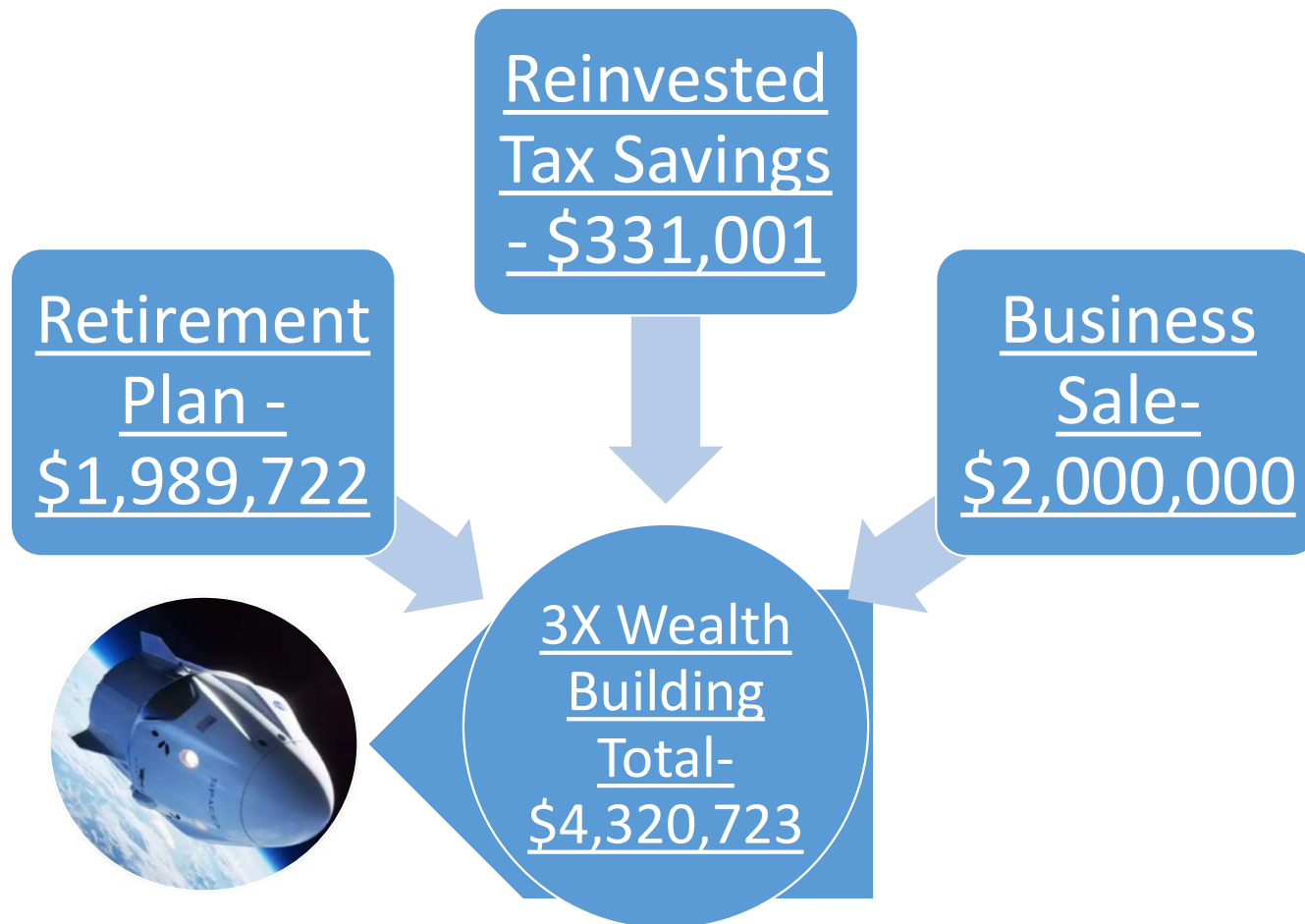
#### GROWTH

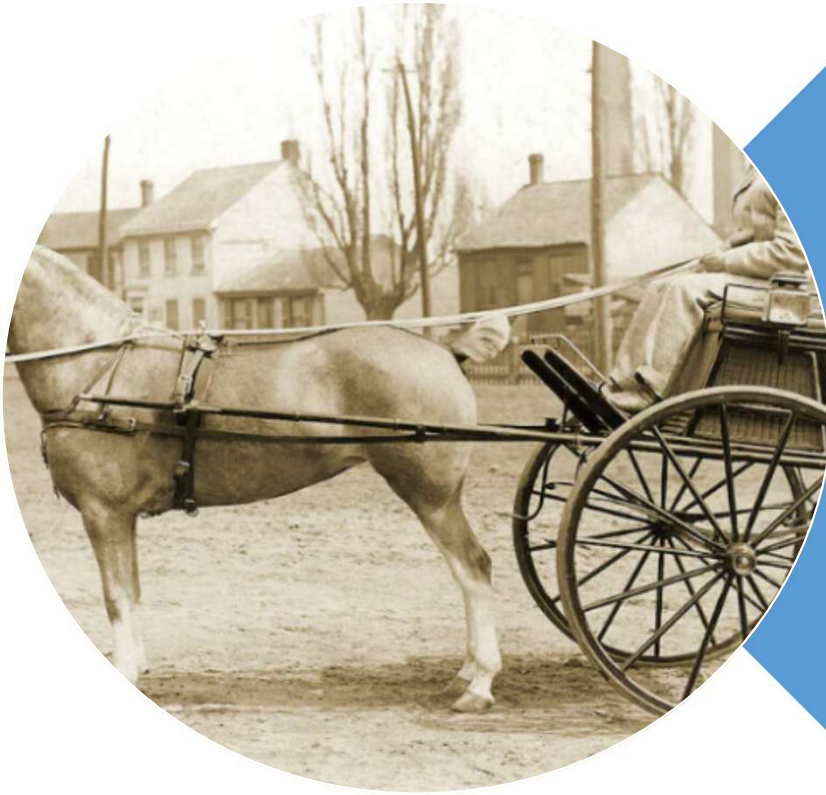
\$ 230,900

70% of Total

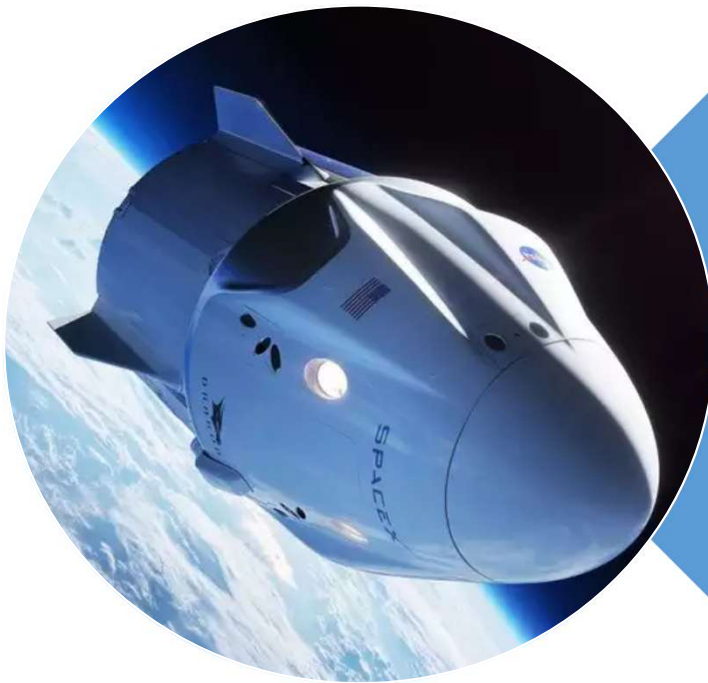


# 3x Wealth Building





Old Rule – Let kids  
learn, not earn.



New Rule –  
'Income Shifting' by  
hiring your dependent  
children.

# Hiring Your Family



Use the \$15,000 standard deduction to your advantage

Does your family help you with your rental properties?

Fund a ROTH?

**Pay for education tax free?**



# Hiring Your Family



Every individual can earn up to \$15,000 (2025)– tax free

If they earn less than \$15,000, your child would not owe any Federal income tax

If you paid them a bona fide wage/compensation from your business – you would get a tax deduction



# Requirements to Pay Wages to Your Family

# Hiring Your Family - Requirements



## **Must be a bona fide work arrangement**

- This means if you did not hire your child, you would have had to pay someone else

## **Must be a “Reasonable Wage”**

- This means you would only be able to pay your child what it would cost you to hire someone else with a similar skillset

## **Example**

- Administrative Duties - If the market rate for administrative duties is \$15/hour, this is what you must pay

# Hiring Your Family - Requirements



## **Must be able to prove they did the work**

- This means if you would need to show proof of time spent - time cards or a time log would be sufficient. Best if child is at least 8 years old.

## **Money must be paid to children's account**

- This means you need to be sure the funds leave your business account and go into your children's account



# Income Shifting Education Savings Plan

# Income Shifting

## **Advantages of a ROTH IRA - Better than a 529 Plan?**

### **Consider using wages to fund a ROTH IRA**

- ROTH IRA – Grows Tax Free
- ROTH IRA – Can be used for Education Costs
- ROTH IRA – Can use up to \$10,000 for first time home purchase
- ROTH IRA – Stays with your child if not used for education

## New Rule Savings



Income Shifting Deduction  
\$45,000.00

**Tax Savings : \$144,000**

(\$15,000 x 3 Dependent Wages x 32% Tax Bracket) x 10 Years



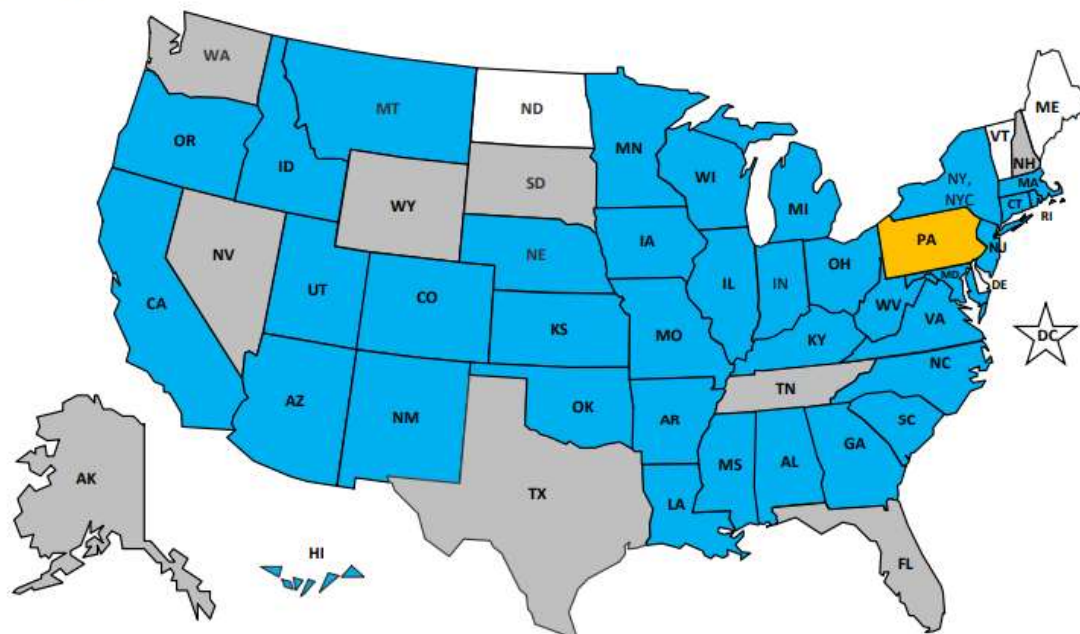
New Rule –  
SALT limit Alternative.  
Pass-Through Entity  
Tax



- The Pass-through entity tax election allows the business to pay the state tax at the entity level, and then the deduction flows through to the partners or shareholders of the business without limitation.
- The partners or shareholders of the pass-through entity that has paid the state tax either receive a credit against their state individual income tax liability or deduct their share of income in determining their state income tax liability.
- This allows taxpayers to deduct more than the individual itemized limitation of \$10,000 in state and local taxes on their 1040.

## States with Enacted or Proposed Pass-Through Entity (PTE) Level Tax

As of May 14, 2024



● 36 states (& 1 locality) that enacted a PTE tax since TCJA SALT deduction limitation, effective for 2021 (or earlier) unless noted:

[AL](#), [AR<sup>1</sup>](#), [AZ<sup>1</sup>](#), [CA](#), [CO<sup>3</sup>](#), [CT<sup>4</sup>](#), [HI<sup>2</sup>](#), [GA<sup>1</sup>](#), [IA<sup>1</sup>](#), [ID](#), [IL](#), [IN<sup>1</sup>](#), [KS<sup>1</sup>](#), [KY<sup>1</sup>](#) (& [KY](#)), [LA](#), [MA](#), [MI](#), [MD](#), [MN](#), [MO<sup>1</sup>](#), [MS<sup>1</sup>](#), [MT<sup>2</sup>](#), [NC<sup>1</sup>](#), [NE<sup>3</sup>](#), [NJ](#), [NM<sup>1</sup>](#), [NY](#), [OH<sup>1</sup>](#), [OK](#), [OR<sup>1</sup>](#), [RI](#), [SC](#), [UT<sup>1</sup>](#), [VA](#), [WI](#), [WV<sup>1</sup>](#), and [NYC<sup>1</sup>](#)

<sup>1</sup> Effective in 2022

<sup>2</sup> Effective in 2023 or later

<sup>3</sup> Retroactive to 2018


<sup>4</sup> Mandatory 2018-2023, elective starting 2024

● 1 state with active proposed PTE tax bills:  
PA – [SB 659](#) in Senate committee; [HR 1584](#) in House committee

● 9 states with no owner-level personal income tax on PTE income:  
AK, FL, NH, NV, SD, TN, TX, WA, WY

○ 4 states with an owner-level personal income tax on PTE income that have not yet proposed or enacted PTE taxes:  
DC, DE, ME, and ND



<b>PROJECTED PRACTICE INCOME AND EXPENSES</b>		<b>Planning</b>
<b>Gross Sales</b>		<b>\$2,000,000</b>
<b>OPERATING EXPENSES</b>		
(-) Wages & Salaries		\$440,000
(-) SG&A		\$1,080,000
<b>ESTIMATED PROFIT BEFORE OWNER WAGES/BONUS</b>		<b>\$480,000</b>
(-) Wages to Owner/Officer		\$115,000
(-) Health Insurance Premiums		\$14,500
(-) Payroll Tax - ER portion FICA/SS <b>(6.2% on 1st \$168,600 for 2024)</b>		\$7,130
(-) Payroll Tax - ER portion MCare <b>(1.45% - no limit))</b>		\$3,335
<b>ESTIMATED PROFIT</b>		<b>\$340,035</b>
Pass-Through Entity Tax (MI rate 4.05%)		<b>\$13,771</b>
<b>PTET Tax Shield (32% Bracket)</b>		<b>\$4,407</b>

## New Rule Savings



Pass-Through Entity Tax  
Deduction  
\$13,771.00

**Tax Savings : \$44,067**

(\$13,771 x 32% Tax Bracket) x 10 Years



## New Rule Strategies



Tax Efficient Structure

\$94,210



\$199a Deduction

\$224,000



Pre-Tax Lifestyle

\$100,083



Retirement Deduction

\$241,500



Income Shifting

\$153,300



PTE Tax Deduction

\$47,610



## New Rule Strategies



Tax Efficient Structure

\$94,210



§199a Deduction

\$217,620



Pre-Tax Lifestyle

\$92,200



Retirement Deduction

\$224,000



Income Shifting

\$144,000



PTE Tax Deduction

\$44,067

**NEW RULE STRATEGIES: \$816,097**

(Projected savings over 10 years)



# Tax Strategies for High W2 Income Earners

# **LEVERAGED TAX STRATEGIES**

## **LEVERAGE: /'LEV'a'RIJ/**

Leverage refers to **using debt (borrowed funds) to amplify returns from an investment or project.**

# Film Debt Financing





## **Film Debt Financing**



Film Debt Financing is a strategic investment opportunity that allows you to invest in film production projects.

By investing in a film, you can receive substantial tax deductions while also gaining equity in the project.

This strategy is particularly beneficial for high-income individuals looking to reduce their taxable income and diversify their investment portfolio.



## Film Debt Financing



### **How Does It Work?**

When you invest in a film production through this strategy, your investment amount is leveraged to provide a significant tax deduction.

EXAMPLE – If you invest \$100,000, you can receive a \$400,000 tax deduction. This deduction can offset up to 100% of your Adjusted Gross Income (AGI), potentially reducing your taxable income to zero.



## Film Debt Financing



### Is This Strategy Right for You?

- **AGI of \$500,000 or More:** This strategy is best suited for high-income individuals with an AGI of \$500,000 or more.
- **Minimum Investment of \$100,000:** The minimum investment required is \$100,000.
- **Interest in Film Investments:** Ideal for individuals interested in the film industry and willing to take on the associated risks.



## Film Debt Financing

### Tax Savings Illustration:

	<b>Investment:</b>	<b>\$100,000</b>	<b>\$150,000</b>	<b>\$200,000</b>	
	<b>Charitable Donation:</b>	<b>\$ 400,000</b>	<b>\$ 600,000</b>	<b>\$ 800,000</b>	
<b><u>Tax Savings:</u></b>					
Fed/State Tax Rate 39%		\$ 156,000	\$ 234,000	\$ 312,000	<b>[Fed 35% + MI 4%]</b>
Fed/State Tax Rate 41%		\$ 164,000	\$ 246,000	\$ 328,000	<b>[Fed 37% + MI 4%]</b>
<b><u>Net Cash Benefit (After Invested Cash)</u></b>					
Fed/State Tax Rate 39%		\$56,000	\$84,000	\$112,000	
Fed/State Tax Rate 41%		\$64,000	\$96,000	\$128,000	

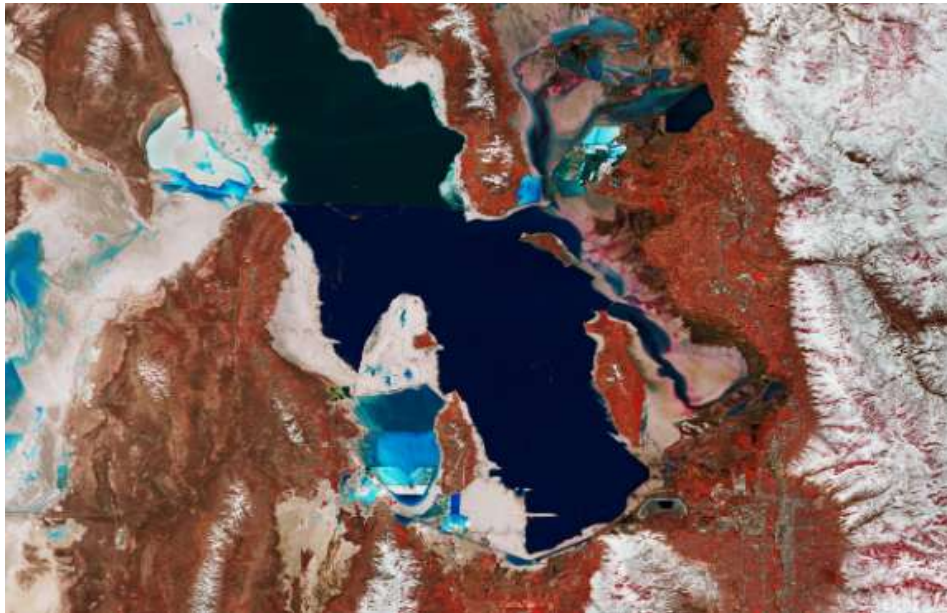


## Film Debt Financing

### Tax Savings Illustration:

	<b>Investment:</b>	<b>\$100,000</b>	<b>\$150,000</b>	<b>\$200,000</b>	
	<b>Charitable Donation:</b>	<b>\$ 400,000</b>	<b>\$ 600,000</b>	<b>\$ 800,000</b>	
<u>Tax Savings</u>					
					00 [Fed 35% + MI 4%]
					00 [Fed 37% + MI 4%]
<b>Power of LEVERAGE</b>					
<u>Net Cash Benefit (After Invested Cash)</u>					
	Fed/State Tax Rate 39%	\$56,000	\$84,000	\$112,000	
	Fed/State Tax Rate 41%	\$64,000	\$96,000	\$128,000	

## Leveraged Asset Donation – Volcanic Ash



## **Leveraged Asset Donation – Volcanic Ash**



The strategy allows you to maximize your charitable contributions – significantly reducing your taxable income.

By leveraging your donation, you can receive a charitable deduction worth four to five times the amount of your initial investment.

This is particularly beneficial for clients with an Adjusted Gross Income (AGI) of \$250,000 or more.

# Leveraged Asset Donation – Volcanic Ash



## How It Works:

### 1. Investment and Donation:

1. You invest a minimum of \$25,000 in a structured program.
2. This program leverages your investment, creating a larger charitable contribution.

### 2. Charitable Deduction:

1. The leveraged amount results in a charitable deduction of 4.5X your investment.
2. For example, a \$25,000 investment could generate a \$112,500 charitable deduction.

### 3. Tax Benefits:

1. This charitable deduction can be used to offset up to 30% of your AGI.
2. **Best utilized when taxpayer is in 32% tax bracket or higher.**

# Leveraged Asset Donation – Volcanic Ash

## Tax Savings Illustration:

	<b>Investment:</b>	<b>\$25,000</b>	<b>\$35,000</b>	<b>\$50,000</b>
	<b>Charitable Donation:</b>	<b>\$ 112,500</b>	<b>\$ 157,500</b>	<b>\$ 225,000</b>
<b><u>Tax Savings:</u></b>				
	Fed Tax Bracket - 32%	\$ 36,000		
	Fed Tax Bracket - 35%	\$ 39,375	\$ 55,125	\$ 78,750
	Fed Tax Bracket - 37%	\$ 41,625	\$ 58,275	\$ 83,250
<b><u>Net Cash Benefit (After Invested Cash)</u></b>				
	Fed Tax Bracket - 32%	\$11,000		
	Fed Tax Bracket - 35%	\$14,375	\$20,125	\$28,750
	Fed Tax Bracket - 37%	\$16,625	\$23,275	\$33,250

# Leveraged Asset Donation – Volcanic Ash

## Tax Savings Illustration:

	<b>Investment:</b>	<b>\$25,000</b>	<b>\$35,000</b>	<b>\$50,000</b>
	<b>Charitable Donation:</b>	<b>\$ 112,500</b>	<b>\$ 157,500</b>	<b>\$ 225,000</b>
<b>Tax Savings:</b>				
	Fed Tax Bracket - 32%	\$ 36,000		
				,750
				,250
<b>Power of LEVERAGE</b>				
<b>Net Cash Benefit (After Invested Cash)</b>				
	Fed Tax Bracket - 32%	\$11,000		
	Fed Tax Bracket - 35%	\$14,375	\$20,125	\$28,750
	Fed Tax Bracket - 37%	\$16,625	\$23,275	\$33,250

# Purchased Tax Credits

**JAS&Co.**  
John A. Sanchez & Company  
CPA's + Consultants

**Solar Energy  
Investment  
Tax Credit**



# Purchased Tax Credits

**JAS&Co.**  
John A. Sanchez & Company  
CPA's + Consultants

## VALUE & OPPORTUNITY



Credits are available to offset federal income tax liabilities.



A dollar for dollar credit.



Available for five-year carryforward of unused credits



Credits are available to businesses, individuals,



Credits are "clean" of income or other traditional credit limitations.

# Purchased Tax Credits



- The ITC Tax Credits can be purchased for 85 cents per dollar of credit.
- Minimum purchase \$100,000 in credits
- Can be used for tax years 2025 & carried back 3 years
- 5 year carryforward on unused credits

# Purchased Tax Credits



- ITC Credits can be purchased for 85 cents per dollar of credit.

\$85,000 buys \$100,000 Tax Credit

\$25,000 Tax Reduction

33% Tax Savings ROI

# Charitable LLC



# Charitable LLC

## TWO SCENARIOS THAT DEMONSTRATE HOW THE CHARITABLE LLC WORKS

### **1. Income Tax Mitigation**

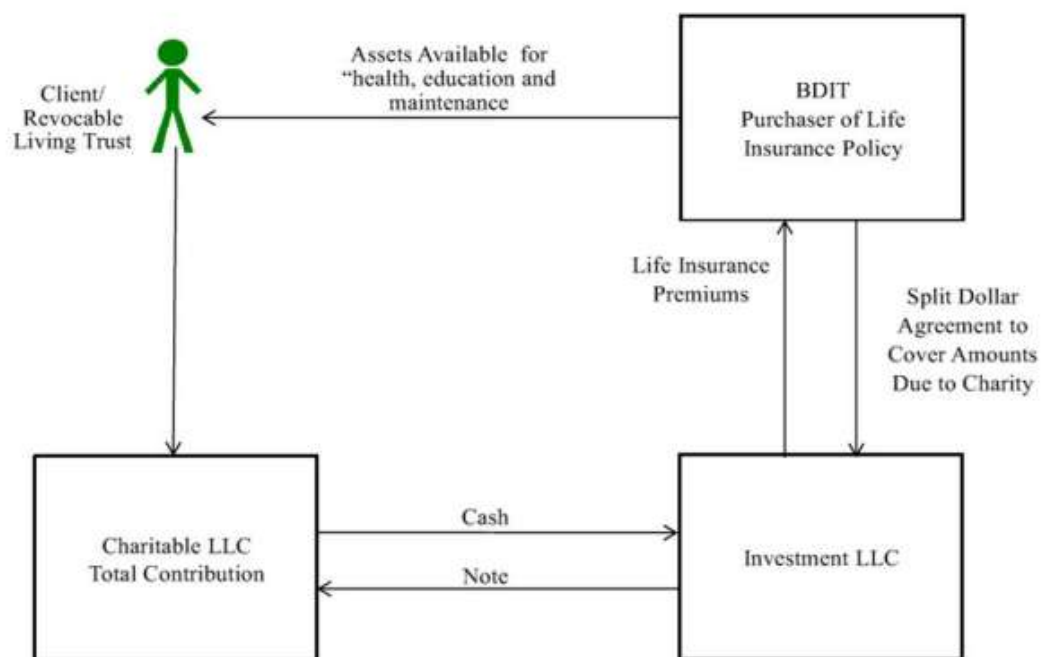
(W-2, 1099, S-Corporation Distribution, and K1, etc.)

### **2. Appreciated Asset Sale**

(Business percentage, stock, commercial real estate, etc.)

# CHARITABLE LLC

## The Process



Client Retains 1%  
Voting Interest

Client Donates 99%  
Non-Voting Interest

# Charitable LLC

## TWO SCENARIOS THAT DEMONSTRATE HOW THE CHARITABLE LLC WORKS

### **1. Income Tax Mitigation**

(W-2, 1099, S-Corporation Distribution, and K1, etc.)

### **2. Appreciated Asset Sale**

(Business percentage, stock, commercial real estate, etc.)

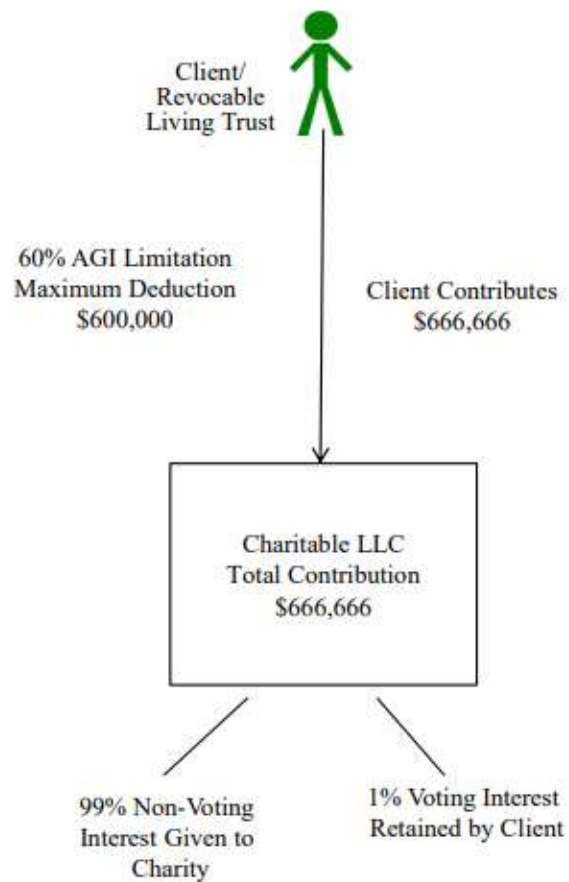
# Charitable LLC

## INCOME MITIGATION

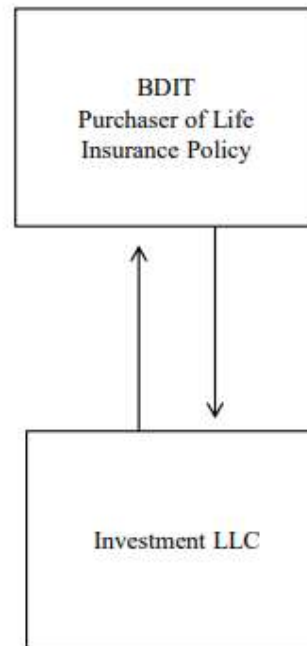
### ASSUMPTIONS:

- Married Couple
- Illinois Residents
- Annual Adjusted Gross Income = \$1,000,000
- Strong Desire to Mitigate State and Federal Income Tax

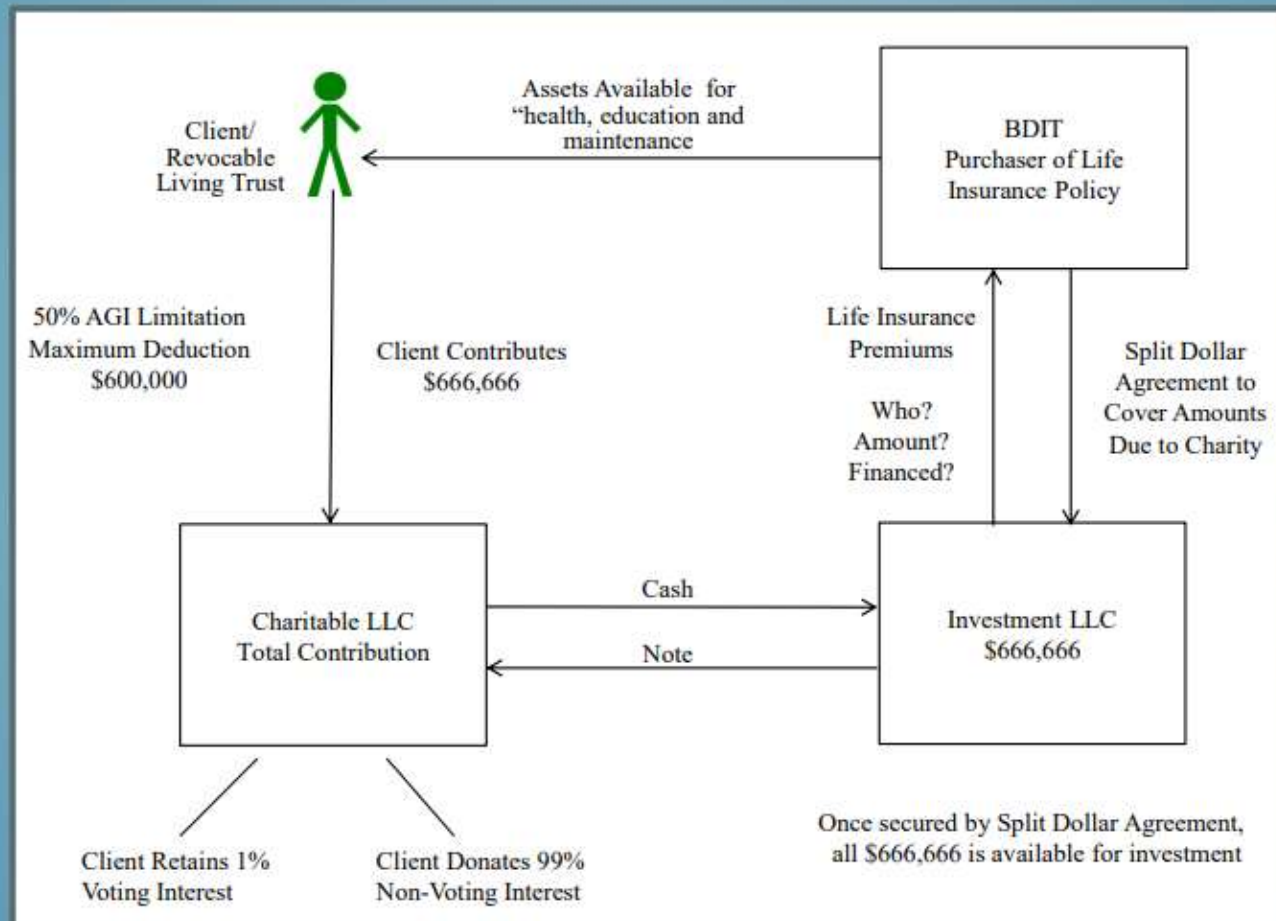
## Part One: Securing the Deduction



## Part Two: Structuring the Investment Side



# MAGIC

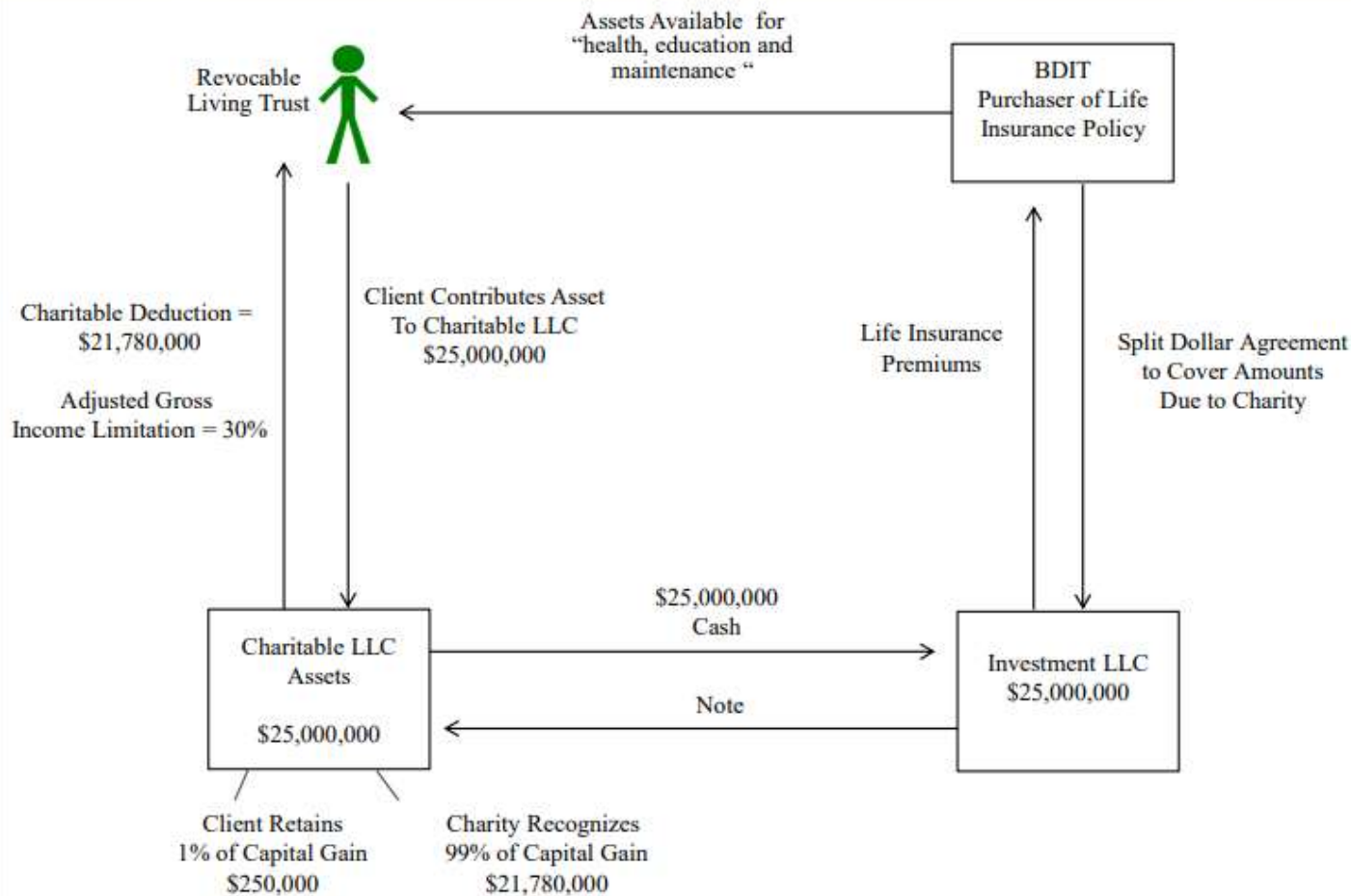


# CAPITAL GAIN AVOIDANCE

## ASSUMPTIONS:

- Illinois Resident
- Sale of Real Property or Stock
- Basis = \$0
- Fair Market Value = \$25,000,000
- Goal = Avoid Capital Gains Tax

# CAPITAL GAINS AVOIDANCE MAGIC



# CAPITAL GAIN AVOIDANCE

## RESULTS:

- 99% of Capital Gains Tax Avoided
- Charitable Deduction of \$21,780,000 which Can Offset 30% of Adjusted Gross Income with 5 Year Carryover
- All \$25,000,000 available for investment
- Client Retains Full Control of Assets
- Assets Protected from Creditors
- Assets out of Estate for Client and Family for 365 Years

# Legitimate Uses and Possible Abuses of Charitable LLCs



>See ACTEC Podcast -

<https://actecfoundation.org/podcasts/chartiable-llc-overview/>

>Chan Zuckerberg Initiative - Uses CHLLC

>Not to be confused with Michael Myers  
CHLLC case.

(Fraudulent abuse of CHLLC Strategy)



# “New Rule” Tax Strategies for Building Wealth