

# 2020 TAX PLANNING FOR REAL ESTATE AGENTS

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**WILKE & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS**

# THANK YOU FOR HAVING ME TODAY



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# AGENDA

1. THE 20% PASS THROUGH TAX DEDUCTION AND HOW IT IMPACTS AGENTS
2. OPPORTUNITIES FOR QUALIFIED TAX-DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS
3. COMMONLY MISSED TAX DEDUCTIONS
4. ENTITY FORMATION OPPORTUNITIES

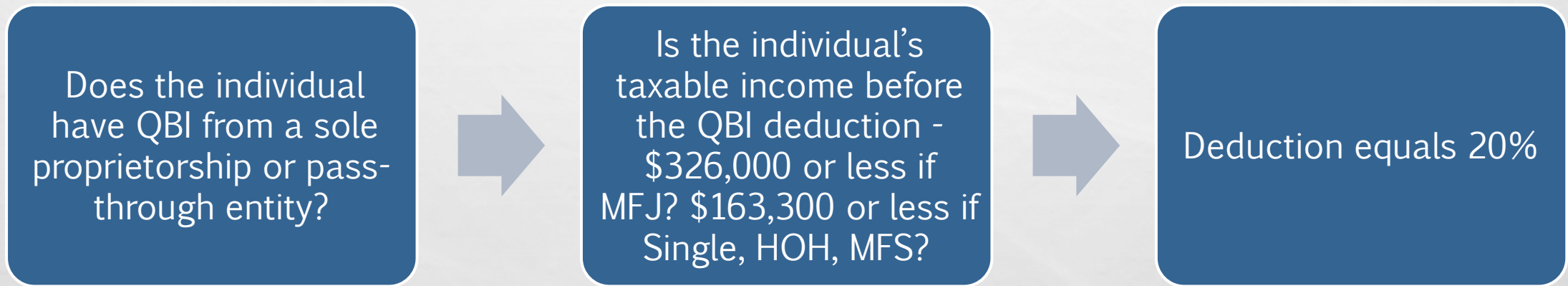


# 1. 20% PASS THROUGH TAX DEDUCTION AND HOW IT IMPACTS AGENTS

# PASS-THROUGH DEDUCTIONS

- THERE IS A 20% DEDUCTION FOR QUALIFIED BUSINESS INCOME FROM A PARTNERSHIP, S CORPORATION, OR SOLE PROPRIETORSHIP IS SUBJECT TO CERTAIN LIMITATIONS.

# SECTION 199A QBI\* DEDUCTION FLOWCHART



\*QBI – Qualified Business Income

## 2. OPPORTUNITIES FOR QUALIFIED TAX DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS



# QUALIFIED TAX-DEDUCTIBLE RETIREMENT PLAN CONTRIBUTIONS

- SEP PLANS
- SIMPLE IRA
- 401(K) PLANS
- IRAS



# 3. COMMONLY MISSED TAX DEDUCTIONS

# COMMONLY MISSED TAX DEDUCTIONS

- MISCELLANEOUS
  - BUSINESS INTEREST ON CREDIT CARDS
  - BUSINESS BANK FEES
  - BUSINESS USE OF INTERNET ACCESS FEES
  - BUSINESS USE OF COMPUTERS AND ACCESSORIES/SOFTWARE (GENERAL TOOLS OF YOUR TRADE)
  - HOME OFFICE DEDUCTION

# COMMONLY MISSED TAX DEDUCTIONS

- HOME OFFICE
  - MORTGAGE INTEREST/RENT
  - PROPERTY TAXES
  - REPAIRS/MAINTENANCE
  - SECURITY SYSTEM
  - UTILITIES

# COMMONLY MISSED TAX DEDUCTIONS

- ADVERTISING EXPENSES
  - FOR EXAMPLE - BILLBOARDS, BUSINESS CARDS INTERNET AD, LEAD LISTS, VEHICLE WRAP
- EQUIPMENT
  - ANY THING YOU USE FOR YOUR TRADE OR BUSINESS RELATED
  - FOR EXAMPLE - CAMERA/VIDEO CAMERA AND EQUIPMENT, CELL PHONE, FLASHLIGHT, LOCKSMITHS



# COMMONLY MISSED TAX DEDUCTIONS

- BUSINESS MEALS, ENTERTAINMENT, COMMUNICATION
  - ANSWERING SERVICES
  - CELL PHONE SERVICE
  - FAX EXPENSES/EFAX
  - GATHERINGS AT THE HOME
  - GIFTS (\$25 PER YEAR PER PERSON)
  - INTERACTIVE VOICE RESPONSE (IVR)
  - MEALS 50% (I.E. DOUGHNUTS, BAGELS, ETC.)
  - OFFICE DECORATIONS AND SMALL APPLIANCES
  - OFFICE TELEPHONE/VOIP
  - TOLL FREE NUMBER

# COMMONLY MISSED TAX DEDUCTIONS

- BUSINESS TRAVEL
  - BUSINESS TOLLS/PARKING AND TIPS PAID WHILE TRAVELING
  - AIRFARE
  - CAR RENTAL
  - DRY CLEANING/LAUNDRY
  - LODGING
  - MEALS
  - PARKING/TOLLS
  - TAXI, TRAIN, SUBWAY, BUS
  - TIPS

# COMMONLY MISSED TAX DEDUCTIONS

- EMPLOYEE WAGES
  - CLERICAL SUPPORT
  - FAMILY WAGES
  - PAYROLL/UNEMPLOYMENT TAXES
  - SALES ASSISTANT
  - VIRTUAL ASSISTANT

# COMMONLY MISSED TAX DEDUCTIONS

- REAL ESTATE OFFICE EXPENSES

- CLIENT REFRESHMENTS
- CLOUD STORAGE
- COPIER FEES
- DESK FEES
- JANITORIAL SERVICES
- OFFICE FURNITURE
- OFFICE SUPPLIES
- OFFICE RENT
- SOFTWARE



# COMMONLY MISSED TAX DEDUCTIONS

- AUTOMOBILE DEDUCTIONS
  - ACTUAL EXPENSES
    - CAR WASHES
    - DEPRECIATION/LEASE PAYMENTS
    - GAS
    - INSURANCE
    - INTEREST
    - LICENSE/REGISTRATION
    - MAINTENANCE
    - REPAIRS
    - TIRES

# COMMONLY MISSED TAX DEDUCTIONS

- AUTOMOBILE DEDUCTIONS
  - MILEAGE
    - 55.5 CENTS PER MILE
    - CAR WASHES
    - TIRES
- YOU CAN DEDUCT MILEAGE OR ACTUAL EXPENSES BUT NOT BOTH

# COMMONLY MISSED TAX DEDUCTIONS

- PROFESSIONAL IMPROVEMENT
  - BOOKS FOR TRADE/SKILL
  - CONTINUING EDUCATION
  - MAGAZINE SUBSCRIPTIONS
  - NEWSLETTER SUBSCRIPTIONS
  - SALES TRAINING/COACHING
  - TEXTBOOKS/REFERENCE BOOKS
  - TRADE PUBLICATIONS

# COMMONLY MISSED TAX DEDUCTIONS

- FEES

- ACCOUNTING/BOOKKEEPING FEES
- ASSOCIATION DUES/FEES
- BANK FEE
- BUSINESS LICENSES
- E & O INSURANCE
- FRANCHISE/AFFILIATION FEES
- INTEREST ON BUSINESS PURCHASES
- LEGAL FEE
- MLS FEES
- SELLING FEES



## 4. ENTITY FORMATION OPPORTUNITIES

# ENTITY FORMATION REAL ESTATE AGENT

## EXAMPLE SOLE PROPRIETOR VS S CORP

	Sole Proprietor Schedule C	S-Corporation
Commissions	\$135,000	\$135,000
Cost & Expenses	(60,000)	(60,000)
Salary	-	(15,000)
Profit	<u>\$75,000</u>	<u>\$60,000</u>
Self Employment Tax	\$11,250	-
Social Security & Medicare	-	(2,295)
Federal Tax – 22% bracket	\$16,500	\$16,500
Total Income and SE Tax	\$27,750	\$14,205
Total Federal Tax Savings		<u>\$13,545</u>

# SUMMARY OF TAX ISSUES WITH COMMONLY USED SMALL BUSINESS ENTITY TYPES

- SEE HANDOUT FOR DETAILS

# THANK YOU FOR YOUR TIME

- QUESTIONS
- COMMENTS

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