



Tax Seminar

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About The Mangold Group, CPAs

- The Mangold Group, CPAs, PC is a full service public accounting firm.
- Our firm experience is wide and varied with over 100 years of combined experience in accounting and tax on staff; we have worked in many industries and companies of every size.
- Our areas of expertise include business valuation, accounting system design, implementation, and support; Compilation and Review of financial statements; tax planning and compliance; outsource controllership; estate plan execution and compliance; and litigation consulting services.
- Some industry areas we concentrate on include medical and dental professionals, architecture, engineering, construction, real estate development, oil and gas, and aviation. We have also developed successful approaches to assisting the Fortune 1000 with establishing nimble entrepreneurial subsidiaries to exploit niche opportunities.
- The Firm started as a bookkeeping and tax service in 1991 and has grown into one of the top 25 Certified Public Accounting firms in the Austin market.
- The Mangold Group is a member firm of CPACONnect, a nationwide association of select local CPA firms, and companion association to CPAmerica International. These associations give the Firm access to national and international resources while maintaining the autonomy and personal service of a local firm.

Topics

1. **Entity Election and Tax Filing Form**
 - When should I consider a change in entity?
2. **Tax Deductions**
 - Home Office, Vehicle, Travel, etc..
3. **Tax Benefits of Retirement Plans**
4. **HUD-1**
 - What are the deductible items for buyers of a primary residence and for landlords?
5. **Audit Risks for Realtors**

Reasons to Consider an Entity Election and Tax Filing Form

1. Legal Protection

- Consult with an Attorney

2. Tax benefits (S-Corp & C-Corp vs Schedule C)

A. Possible to reduce Self-employment tax because some earnings can be shielded from this tax.

B. Accounting Requirements

1. Full and Correct Accounting Records

- Excel is insufficient

2. Payroll and Payroll Tax returns to IRS and State are required.

3. Corporate Tax Return Required

4. Texas Franchise tax return required for all entity types in Texas.

Reasons to Consider an Entity Election and Tax Filing Form

1. Administrative Costs (S-Corp & C-Corp)

- A. Estimate of cost of preparation of corporate federal and state tax returns, Individual (1040) return, if accounting records are accurate is \$4,000. Bookkeeping and clean up of records is additional.
- B. Payroll Tax Filing Service - \$70-80 per month
- C. QuickBooks Setup – Starts at \$400
- D. Personal time weekly/monthly spent for data entry into accounting software
 - Data entry at year-end is much more cumbersome and less accurate

2. Administrative costs of Schedule C

- A. Cost of Individual 1040 tax return
- B. Accounting records may be on Excel spreadsheet.
- C. Personal time weekly/monthly spent for data entry

Tax Deductions – Home Office

1. Qualification for Home Office deduction

- Use regularly and exclusively
- If an employee, must be for employer's convenience

2. Traditional Method

- Direct costs – paint, decorating & furnishing that space
- Indirect Costs based on Square Footage – Mortgage Interest, Depreciation, Rent, Utilities, Other costs

3. Simplified Method

- \$5 per Square Foot, Max \$1500

Tax Deductions – Vehicle

1. Standard Mileage

- Easy to use/calculate, based on number of miles driven for business
- 2014 rate is \$0.56 per mile, 2015 rates not yet released
- Provide business, commuting, and personal mileage

2. Actual Expenses

- Actual Cost of vehicle operation – Depreciation, Licenses, gas, maintenance, insurance, lease payments
- Based on percentage of business use to personal use
- Depreciation is limited to certain amounts
- If business use is less than 50% or drops to less than 50%, special rules apply

3. Once a method is chosen for a particular vehicle, you use the same method

Tax Deductions – Meals

1. Generally, meals are subject to a 50% limitation
2. Must be with a business associate – someone who is or reasonably expected to become a customer, client, employee, agent, partner or professional advisor
3. For a bona fide business purpose
4. If one expense for multiple items, must allocate expenses. For example, meals charged to a hotel room are meals.
5. Taking turns paying for lunch does not qualify!

Tax Deductions – Entertainment

1. **Must be directly related**
 - A. Main purpose was the active conduct of business
 - B. Did engage in business during the entertainment period
 - C. Had more than a general expectation of getting income or specific business benefit
2. **Lavish or Extravagant are not allowed – Location or dollar amount doesn't determine, circumstances do**
3. **Allocate between business and nonbusiness**
4. **Tickets to events**
 - A. Net proceeds to charity – deduct entire cost
 - B. Other tickets – deduct 50% of face value (not what was paid if in excess of face value)
5. **Non-deductible:**
 - A. Club dues for organizations that provide entertainment activities or facilities
 - B. Country Club, Golf Club, Social Club, Yacht Club

Tax Deductions – Travel in the United States

1. **Primarily for business purpose**
 - A. Business purpose expenses are deductible
 - B. Personal Side trips or other personal activities are not deductible
2. **Primarily for personal reasons**
 - A. Entire cost is non-deductible
 - B. Expenses at location that are business are deductible

Tax Deductions – Travel Outside the United States

1. Travel entirely for business – all travel expense deducted
2. Travel considered entirely for business – travel expense deducted in certain cases
 - A. No substantial control
 - B. Outside the US for no more than a week
 - C. Less than 25% of time spent on personal activities
 - D. Vacation not a major consideration
 - E. Additional costs for personal side trip are not deductible
3. Travel Not considered entirely for business – Prorate travel expenses
 - A. Don't meet one of the above exceptions, can still take deductions
 - B. Based on number of days, count business days and personal days.
 - C. Allocate shared expenses based on ratio
4. Travel primarily for personal
 - A. Travel expenses are not deductible
 - B. Business related expenses are deductible

Tax Deductions – Other Travel Considerations

1. Special Rules apply to:
 - A. Luxury Water Travel
 - B. Conventions
 - C. Conventions held outside of North America area
 - D. Cruise Ships

Tax Deductions – Gifts

Limitation on gifts given to clients - \$25 per calendar year

Tax Benefits of Retirement Plans

- Reduces Taxable Income, Used after retirement for Income, Hopefully at lower tax rates
1. Solo 401K
 - A. Up to 100% of Compensation or earned income
 - B. 2014 limit \$17,500 or \$23,000 if 50+, 2015 limit \$18,000 or \$24,000 if 50+
 - C. Non-elective Match of 25% of earnings
 - D. Required to file Form 5500-SF if assets >\$250,000
 2. SIMPLE Plan
 - A. Up to 100% of Compensation or earned income
 - B. 2014 limit \$12,000 or \$14,500 if 50+, 2015 limit \$12,500 or \$15,500 if 50+
 - C. Non-elective Match of 3% of earnings
 - D. No Filing requirement beyond initial paperwork kept internally
 3. Keogh SEP
 - A. Good option for high income earners
 - B. Maximum is \$49,000 or 25% of net income
 - C. No Filing Requirement

HUD-1

1. Seller
2. Buyer using subject property as personal residence
3. Buyer using subject property as a rental

Audit Risks

1. Audit Selection

- A. Random selection and computer screening – statistical formula
- B. Document matching
- C. Related examinations – if a related company is audited

2. Time frame

- A. Generally within 3 years
- B. Can go back up to 6 if substantial errors

3. Documentation of expenses is your insurance! See record retention document.