TEN POINT FINANCIAL GROUP

Building Generational Wealth

The Self-Employed Tax Strategy Playbook

9 strategies that save profitable business owners $15K-$50K+ per year

Most CPAs prepare returns. Almost none design the year before the return is filed. If you're earning $80K+ in business profit and your CPA hasn't talked to you about half the strategies in this guide, you're overpaying. Here are the moves that matter — in order of leverage.

Strategy 1 — The S-Corp Election

If you're an LLC or sole prop earning $80K+ in profit, this is the biggest single tax savings available.

- How it works: pay yourself a reasonable W-2 salary, take the rest as distributions (NOT subject to 15.3% self-employment tax).
- Typical savings: $8K-$20K/year for $100K-$200K earners.
- Setup: file Form 2553. Run payroll quarterly. Document salary reasonableness annually.
- Cost: ~$1,500-$3,500/year in extra compliance. Savings usually 4-10x that.

Strategy 2 — The Right Retirement Plan

Solo 401(k), SEP IRA, SIMPLE IRA, or Cash Balance — each fits a different business profile.

- Solo 401(k) — Up to $70,000 (2025), $77,500 if 50+. For owner-only businesses (and spouse). Most flexible. Best default.
- SEP IRA — 25% of compensation up to $70,000. Easiest setup. If you have employees, you must contribute the same % for them.
- SIMPLE IRA — $16,500 deferral + 3% match. For small teams. Cheaper than a 401(k).
- Cash Balance Plan — Shelter $150K-$280K+/year (varies by age). For high-income owners 45+ catching up. Best paired with a 401(k).

Strategy 3 — The Augusta Rule (Section 280A)

Rent your home to your business up to 14 days per year. Tax-free to you. Deductible to the business.

- Hold legitimate business events at your home (board meetings, retreats, planning sessions).
- Charge fair-market daily rate ($800-$5,000/day depending on home and area).
- Document business purpose with agendas, attendee lists, and rate research.
- Typical benefit: $10K-$50K of tax-free income per year, fully deductible to the business.

Strategy 4 — Hiring Your Kids

Pay your children 7+ for real work in your business.

- Up to ~$14,600 in 2025 !' fully deductible to you, fully tax-free to the child.
- Open a custodial Roth IRA in their name with the wages — decades of tax-free compounding.
- Real work, real wages, real records. Time logs and reasonable rates required.

Strategy 5 — Accountable Plan Reimbursements

Set up a written accountable plan so your business reimburses you tax-free for mixed-use expenses.

- Home office (calculated by square footage).
- Cell phone (business-use percentage).
- Internet (business-use percentage).
- Mileage (current IRS rate × business miles).
- Cleaner than deducting on Schedule C. Required documentation: written plan + substantiation.

Strategy 6 — The HSA Triple Tax Advantage

Health Savings Accounts are the only account with three tax benefits.

- Deductible going in (lowers taxable income).
- Grows tax-free (no taxes on gains).
- Comes out tax-free for medical (and after age 65 for any purpose, taxed as ordinary income — same as a Traditional IRA).
- 2025 limits: $4,300 single, $8,550 family. Requires HDHP.

Strategy 7 — Vehicle Deductions Done Right

Vehicles over 6,000 lbs GVWR used 50%+ for business can be aggressively depreciated.

- Section 179 + Bonus Depreciation can yield $50K+ deduction in year 1 on a new SUV.
- Different rules for passenger vehicles vs heavy-duty.
- Mileage method vs actual expense method — calculate both, pick higher.

Strategy 8 — Cost Segregation on Real Estate

Own rental or commercial real estate? Cost seg can frontload massive deductions.

- Engineer breaks property into components: 5-yr (carpets, appliances), 15-yr (land improvements), 27.5/39-yr (structure).
- Bonus depreciation on the shorter-life components yields $50K-$300K+ year-1 deduction.
- Best for properties purchased in the last few years.

Strategy 9 — Exit Planning (Start 5 Years Out)

If you might sell your business in the next 5 years, planning now is worth millions.

- QSBS (Section 1202) — Up to $10M of capital gains federally tax-free at exit if structured properly.
- Installment sales — Spread tax over multiple years.
- Charitable Remainder Trusts — Defer gains, generate income for life.
- Opportunity Zones — Defer + potentially eliminate gains on reinvested proceeds.

NEXT STEP

Free tax strategy review

Bring last year's return. We'll spend 30 minutes auditing for missed deductions, entity issues, and retirement plan opportunities — and tell you what changing them would save next year. We coordinate with your CPA, not replace them.

Schedule online:
tenpointfinancialgroup.com/contact?from=guide-tax

Or call:
+1 (586) 899-1003

Sources: IRS.gov. Consult a licensed CPA or tax attorney before implementing.