

# TAX TIPS

**80% of Small Businesses Are  
Overpaying Income Taxes By  
\$10,000+ Every Year**

**Do You Think You Are One  
Of Them?**

*Learn How To Uncover An Average Of  
\$25,000 On New Legitimate Tax  
Deductions For Your Business*



**Mark S. Fineberg, CPA**



Mark has 25+ years experience in tax and accounting for individuals and small business owners. His areas of expertise include professional, personal and corporation tax preparation employing the latest legitimate advanced tax strategies to minimize individual and corporate tax liabilities. His professional credentials include Licensed Certified Public Accountant (CPA) and a Licensed Insurance Professional. He received his Bachelor of Science degree in accounting and finance from Villanova University. Mark is co-author of the sought after book entitled— *“Why Businesses Stop Growing-And What You Can Do About It”*. Also, he is a contributor to the best selling tax book *“How to Pay Zero Taxes”* by Jeff A. Schnepper, CPA, ESQ. It’s my goal to empower my clients with the information and skills needed to manage their business and financial affairs with confidence. It’s not just about the services I provide. I recognize the value of a personal, hands-on approach to doing business and earning clients for life. At MSF Accounting/Tax, Ltd., I am committed to carrying out my services with integrity, excellence, and respect for others. My dedication and client support is beyond compare, always putting your best interests at the forefront.

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# Internal Revenue Code Section 274

## A Business Owner Must Read

If you are a business owner, you need to be familiar with Internal Revenue Code Section 274 (IRC 274). IRC 274 is the substantiation regulation. All that means is that certain deductions that are claimed on a business tax return, must be supported by appropriate documentation. Not just any documentation, but precisely what the IRS states in this important section of the Internal Revenue Code.

For example, if a taxpayer claims a vehicle deduction last year, they would need a mileage log that substantiates the deduction; a travel deduction for their business needs to be documented in a diary, with receipts and business purpose. Without this documentation, taxpayers will lose these deductions in an audit.

If you are operating as Corporation or LLC, IRC 274 is very important to be aware of. Substantiation includes resolutions and minutes. For example, if a taxpayer claimed a dividend or distribution last year from the business, this specific event should be included in the minutes with a proper resolution. Let's say you loaned money to the business, you need a resolution. Why?

If one does not have this level of bookkeeping, they will not be able to substantiate the deduction or transaction in an audit under IRC 274. Consequently, the income to a stockholder/officer receives from his Corporation may be reclassified by the IRS as wages, where the intention was a loan or dividend. A lesson one does not want to learn the hard way.

I have a white paper that I share with my clients on this very important area of the Tax Code.



# 7 Misconceptions When Choosing Your Business Entity

There are many issues to consider when choosing the right business entity, its not just researching on the internet for an hour...

## HERE ARE A FEW MYTHS THAT YOU MAY CONSIDER.

1. **An LLC will save me money. WRONG.** The Limited Liability Company was designed for asset protection. LLC's are best used for holding assets and partnership relationships between individuals or other corporations. LLC's can elect to be taxed as an S Corporation or C Corporation, however you do not need an LLC for any specific tax write-offs, and they will not provide any additional tax savings.
2. **A Corporation will provide tax savings as a small business owner. WRONG.** This strategy is incorrectly recommended across the country by promoters who claim that the Fortune 500 companies are C Corporations and provide more deductions. I always run the numbers with my clients to ascertain what the best form of entity is for their special set of circumstances.
3. **A Corporation provides better asset protection than an LLC. WRONG.** Myths prevail on either side as to the asset protection advantages. The truth is that the corporate veil and the protection it provides is a legal concept applies uniformly across the country under statues and years of case law. True asset protection is a matter of following corporate procedures, not commingling funds, using the company name on all documentation and acting responsible in the management of your company.
4. **A Nevada or Wyoming Corporation will save me taxes and better protect my assets. WRONG.** This is one of the biggest scams in the business. Here the deal—if you are doing business in your home state, or any other state for that matter, that state is going to tax you on the profits—and that state's laws will govern the asset protection. That being said, there are unique instances where incorporating in these state might make sense.
5. **The IRS highly audits S-Corporations for salary allocations. WRONG.** Yes, you need to carefully consider your payroll allocation each year to make sure its reasonable. However, do not be concerned that the IRS is hyper focused on S Corporations, and their unique tax advantages.
6. **A Sole Proprietorship is always a bad entity. WRONG.** Again, I always run the numbers to make the proper decision as to the right entity for clients. Yes, sometimes the sole proprietorship is the best choice due to medical reimbursement plan of employment of their children as important considerations.
7. **Online company formation services will save me time and money. WRONG.** Choosing the right entity to operate your business can save thousands of tax dollars each and every year, legally, with the proper guidance. By using an online service, you are disqualifying yourself from the advice of an experienced professional.

# Here's How to Save Significant Taxes & Build A Huge Nest Egg for Your Children

Let's face it, children are expensive! Smart tax professionals know this, and have tax-wise solutions .

Put your children to work in your business and make them earn their own money. This expense provides you with a payroll tax deduction, making this an extremely attractive government subsidy!

If you operate a qualifying LLC or a sole proprietorship (if you do not have one of these structures I advise my clients on how to create one), the payment for hiring your child under 18 years old is not subject to payroll taxes. You get a tax deduction of say \$16,000 (\$8,000 to each child), and save approximated \$6,400, if you're in the 25% tax bracket – from income taxes and self employment taxes! You can then have your children contribute that amount to their respective Roth IRA's. Your children each pay approximately \$170 in total taxes on their \$8,000 earnings.

In addition, your children can develop good work habits, teach them of the value of money, and best of all you get to see them during your workday.

Its a win-win tax strategy.

However, as is the case with any and all tax reduction strategies, proper documentation is a must throughout this entire process. I educate my clients on th necessary documents to make this lucrative tax savings strategy audit proof.



# Reward Yourself With Tax-Free Supper Money!

**W**orking long hours can be a morale buster for your employees. The tax law provides a benefit that can be a perfect solution for this problem; give them some tax-free cash! This strategy creates value for you and your employees.

The best news of all, is that you're eligible as well as a business owner. To meet the benefits of this valuable tax deduction, you need to adhere to some rules.

## TAX RULES TO RECEIVE THIS DEDUCTION

1. You provide the benefit occasionally
2. You pay no more than a reasonable amount
3. The meals enables your employees to work overtime
4. You do not compute the benefit based upon the hours worked

If the supper money payment does not meet these 4 rules, then the benefit is considered taxable compensation to the employee subject to withholding taxes.

## SOME FURTHER CLARIFICATIONS

The term occasional means not regular or routine in the tax code. This is based on a case by case basis, and its best if the allowance is at the discretion of the employer rather than a formalized company policy. Reasonable can vary from case to case as well. The overtime rule rule is best adhered to if the employee eats the meal during the period that he or she works overtime.

## SUPPER MONEY FOR THE OWNER

You may qualify for this benefit for yourself, even as a sole proprietor; of course also as an employee of your corporation. Even though you meet the employee definition to qualify for this benefit, I recommend that you utilize this deduction only when your employees are working overtime as well.

So, when work suddenly causes your employees to work overtime, provide the supper money tax benefit, and receive a 100% tax deduction for the cost.

