

2022 Year-End Tax Strategy Workshop



with

Mark J. Kohler, CPA, Attorney

Phoenix | December 2nd and 3rd



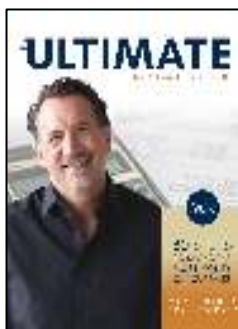
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WELCOME

Thank you for attending! My goal is to help you better live the American Dream by sharing tools to save taxes, build your wealth, and protect it. These foundational principles and structures will help you scale your business and investments to reach true financial flexibility and freedom!!

Mark J. Kohler

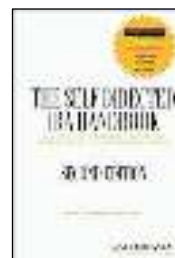
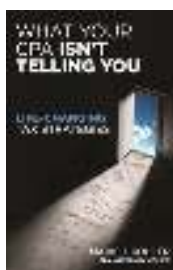
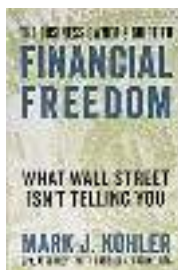
PUBLICATIONS AND RESOURCES:



NEW

E-Book

Released Oct 1, 2022



Available in

Print, Kindle & Audible

amazon.com

NEW

2023 Calendar
For Entrepreneurs
& Tax Professionals

2 Amazing Podcasts
EVERY Week!



LIVE

Q&A Every Thursday

AGENDA

DAY 1

1. Why Small Business
2. Unleashing the “Trifecta”
3. Capturing Start-up Costs
4. The Power of Board Meetings
5. Entities & the S-Corporation
6. Rental Properties and LLCs
7. Estate Planning Basics
8. Dining and Food Expenses for 2023
9. Auto Deduction Strategies
10. Changing State Domicile
11. Maximizing Travel Write-Offs
12. Paying Family Members

DAY 2

1. Saving Strategies
2. Choosing the Best Retirement Plan
3. Everything Roth IRAs
4. Why Rental Real Estate
5. Passive, Active & Real Estate Professional Status
6. Short-Term Rentals
7. Active Trader Status
8. Charitable Remainder Trusts
9. Deducting Medical Expenses
10. Health Savings Accounts (HSAs)
11. Health Reimbursement Arrangements (HRAs)
12. Self-Directing Basics

DAY 1

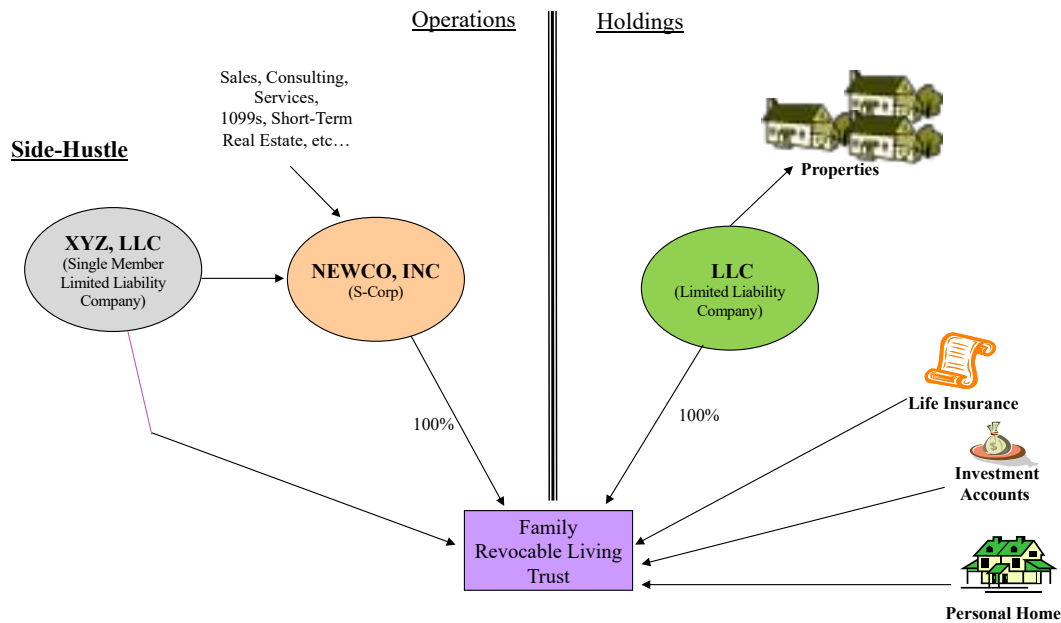
SECTION 1: WHY SMALL BUSINESS

WHAT ARE THE REASONS TO START A SMALL BUSINESS?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

WHAT WAS **YOUR REASON** FOR STARTING YOUR SMALL BUSINESS?

THE 'TRIFECTA'



WHAT ARE THE BENEFITS OF THE TRIFECTA?

1. _____
2. _____
3. _____
4. _____

DRAW YOUR CURRENT TRIFECTA HERE (EVEN IF A MESS):

WHICH ENTITIES OR STRUCTURES AM I MISSING IN MY OWN TRIEFECTA?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DAY 1

SECTION 3: CAPTURING START-UP COSTS

WHICH COSTS ARE **NOT** CONSIDERED START-UP COSTS AND AREN'T INCLUDED IN THE 5K?

WHAT IS THE AMORTIZATION **PERIOD** FOR “LEFT OVER” START UP COSTS FROM THE FIRST YEAR?

#1/15 – Get out of START-UP Mode!!

- Make a SALE!!
- Place your property in Service

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DAY 1

SECTION 4: THE POWER OF BOARD MEETINGS

WHO IS GOING TO SERVE AS THE BOARD OF DIRECTORS OR ADVISORS OF YOUR MAIN OPERATIONAL ENTITY (Up to 5)?

1. _____
2. _____
3. _____
4. _____
5. _____

WHEN ARE YOU GOING TO HOLD YOUR NEXT BOARD MEETING?

DATE: _____

BOARD OF ADVISORS OR DIRECTORS

- No matter what entity
 - 3-5 people
- Share YOUR GOALS and Plans!!
- Include family & friends when possible

#5/15 – Hold Your Board Meeting!

Limited Liability Company

"Board of Advisors"

Corporation

"Board of Directors"

100% Deductible in 2022

Dining out, Take-Out, Catering,
Hotel, Air, Valet, tips, rental car,
rental car gas, tolls, taxis, limos,
ferry's, subways, etc...

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THE "MEETING"

Make it a win-win!!

- Have an Agenda
- Make it 'official'
- Do something fun & food
 - Share Education
- Make it a Tax Write-off!!

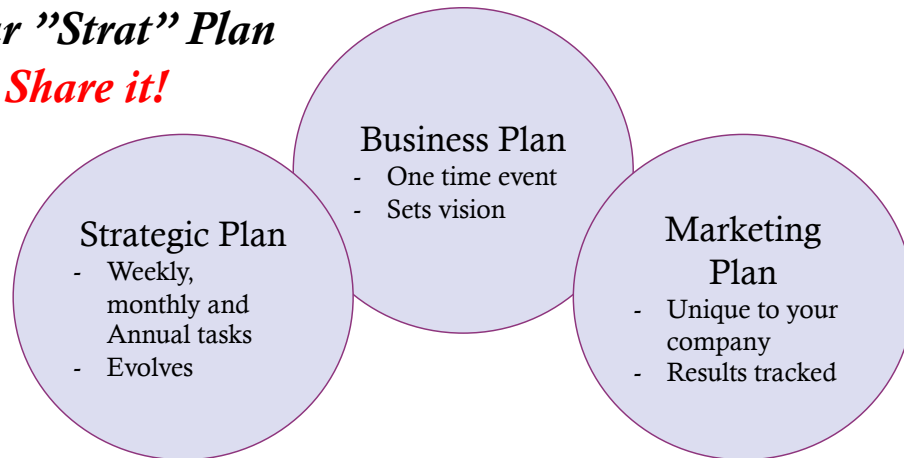


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THE DIFFERENCE BETWEEN 3 PLANS

*Build Your "Strat" Plan
and **Share it!***



SYSTEMIZING THE BUSINESS

Key Performance
Indicators

Manage by Statistics

“Hatting” inside &
outside the business



10 YEAR PLAN

Start with Your “Ideal Scene” 10
years from now

Work backwards with 5,3,1 year
Strategic Plans



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WHEN WILL YOU HAVE YOUR 10 YEAR PLAN COMPLETED?

DATE: _____

WHEN WILL YOU HAVE YOUR 2023 STRATEGIC PLAN COMPLETED?

DATE: _____

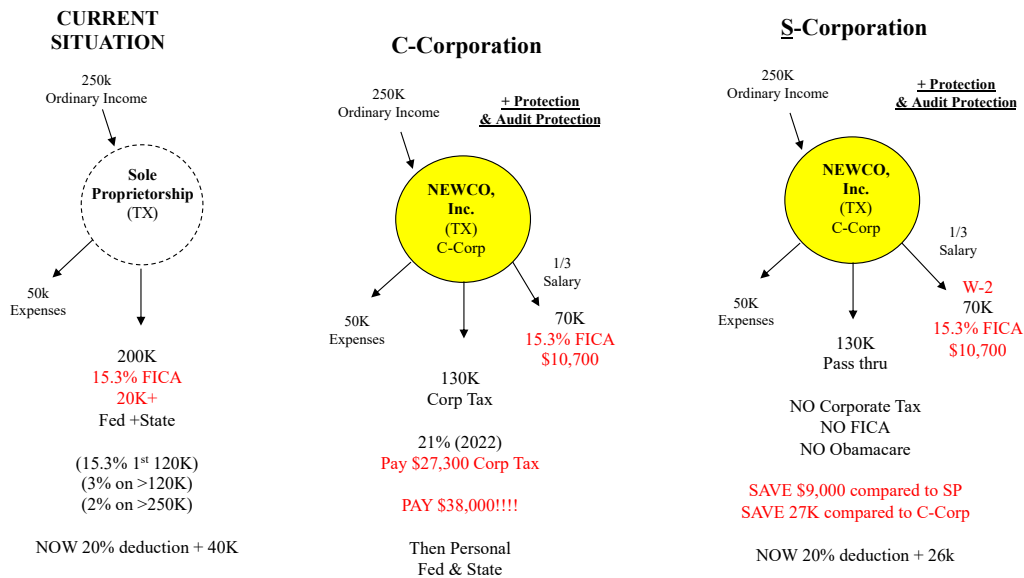
WHEN WILL YOU HAVE YOUR 2023 MARKETING PLAN COMPLETED?

DATE: _____

DAY 1

SECTION 5: ENTITIES & THE S-CORPORATION

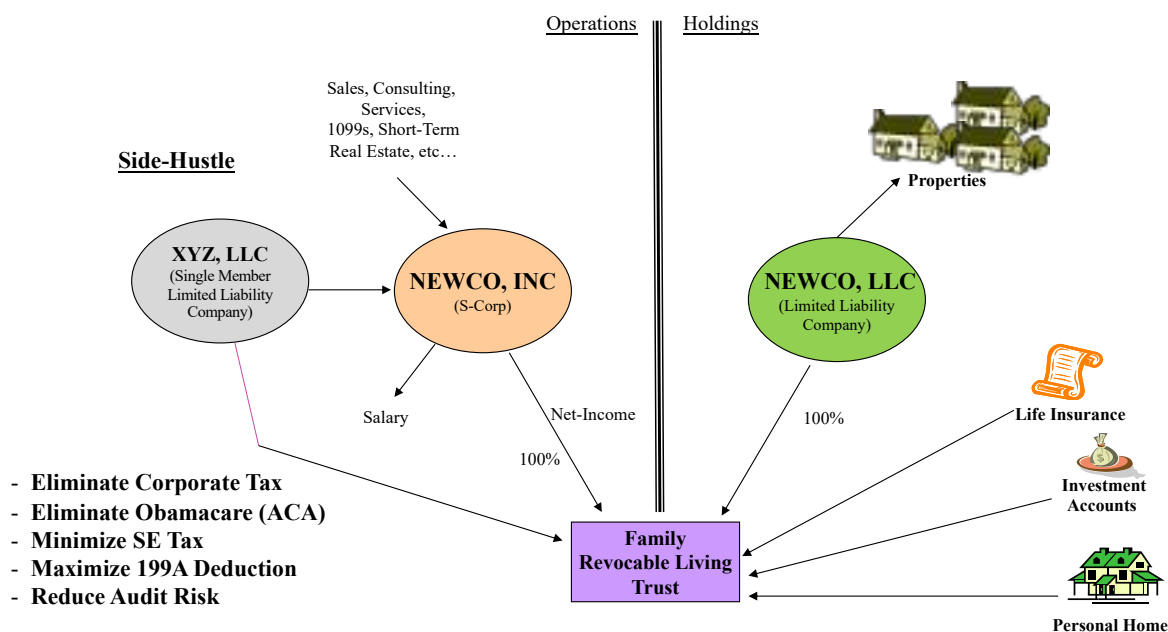
ENTITY COMPARISON



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S-CORP STRATEGY (LEFT SIDE)



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IF YOU HAVE AN S-CORPORATION...

WHAT WILL BE YOUR APPROXIMATE DRAWS OR PROFIT FOR 2022?

\$ _____

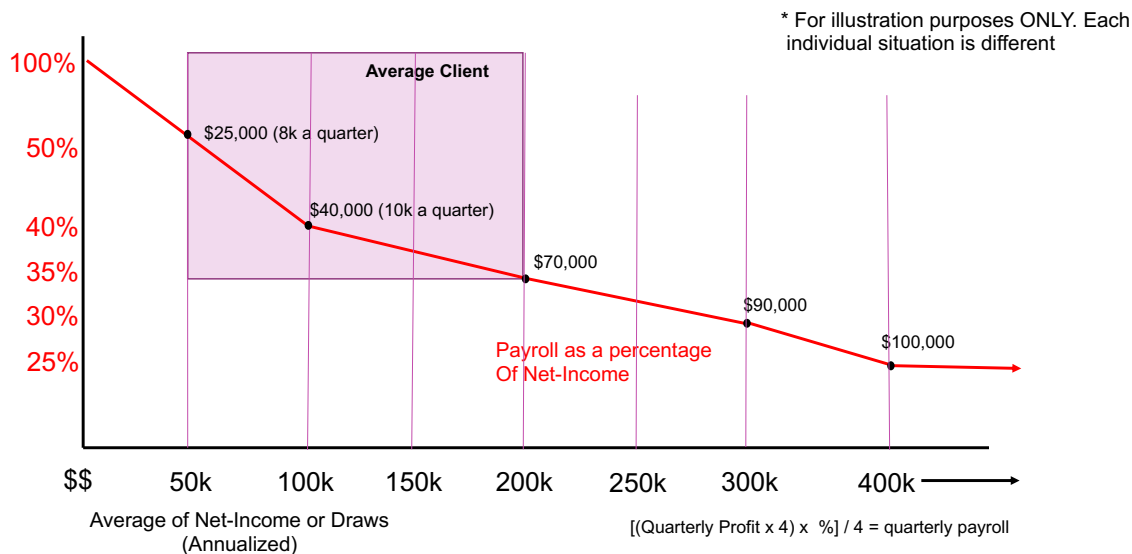
WHAT SHOULD YOUR PAYROLL BE FOR 2022?

\$ _____

HOW MUCH SE TAX WILL YOU SAVE IN 2022 BY USING YOUR S-CORPORATION?

\$ _____

#4/15 – Establish your Payroll Level



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#9/15 - Health Care Strategies – Health Insurance

Properly deduct insurance premiums

**(Physically reimburse yourself from S-Corp if you
need to...PAY from S-Corp in Future)**

(MUST be listed on W-2 reported in January)

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HOW MUCH DID I APPROXIMATELY PAY IN HEALTH INSURANCE PREMIUMS OUT OF MY S-CORPORATION IN 2022? \$_____

DO I NEED TO REPORT THOSE PREMIUMS ON MY W-2? **Y / N**

#3/15 – Retroactive S-Election for 2022

Change your LLC or C-Corp into an S-Corp effective
January 1, 2022

(Make sure to do your Payroll tax return- 941, etc...by January 31st and possible
deposits by January 15th)

Procedure

Attach Shareholder Letter
Reference Rev. Rule 2013-30

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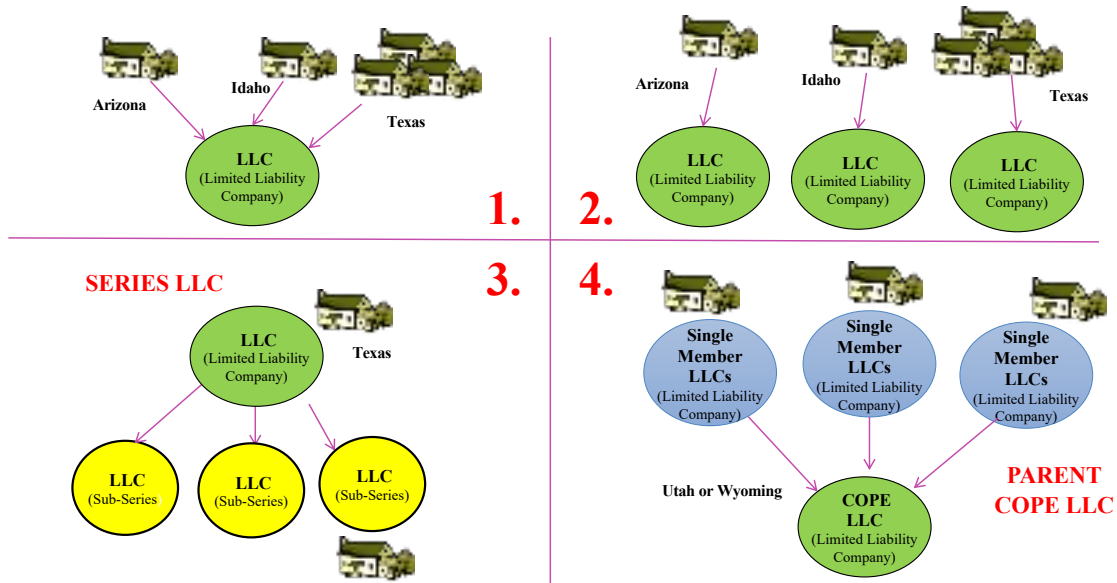
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DAY 1

SECTION 6: RENTAL PROPERTIES & LLCs

ASSET PROTECTION (RIGHT SIDE)



DRAW THE RIGHT SIDE OF YOUR TRIFECTA WITH THE PROPER NUMBER OF LLCs:

#2/15 – Set-up OR Dissolve any entities by January 1st

- Avoid Franchise tax and unnecessary tax returns next year
- Set-up for SE planning for next year
- Start with Operational LLC as 'safe-harbor'

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I NEED TO SET-UP OR DISSOLVE THE FOLLOWING ENTITIES OR STRUCTURES BEFORE
JANUARY 1, 2023:

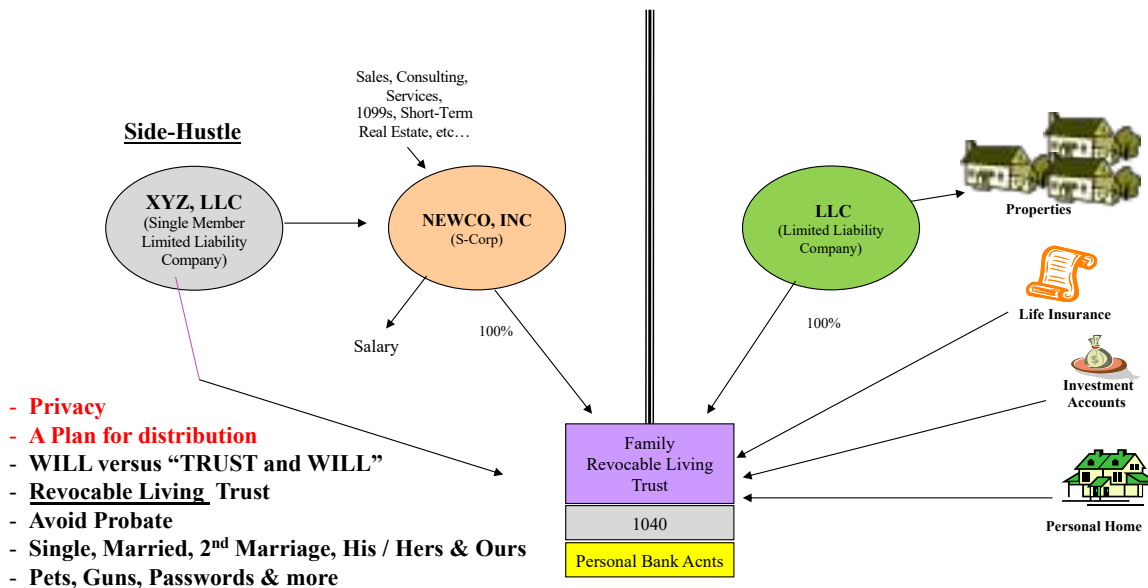
DAY 1

SECTION 7: ESTATE PLANNING BASICS

WHAT ARE THE BENEFITS OF A WILL?

WHAT ARE THE BENEFITS OF A TRUST?

ESTATE PLAN (FOUNDATION)



WHO HAVE I CHOSEN OR WOULD LIKELY CHOOSE AS MY EXECUTOR?

_____ (BACK UP)

WHO HAVE I CHOSEN OR WOULD LIKELY CHOOSE AS THE GUARDIAN OF MY CHILDREN?

_____ (BACK UP)

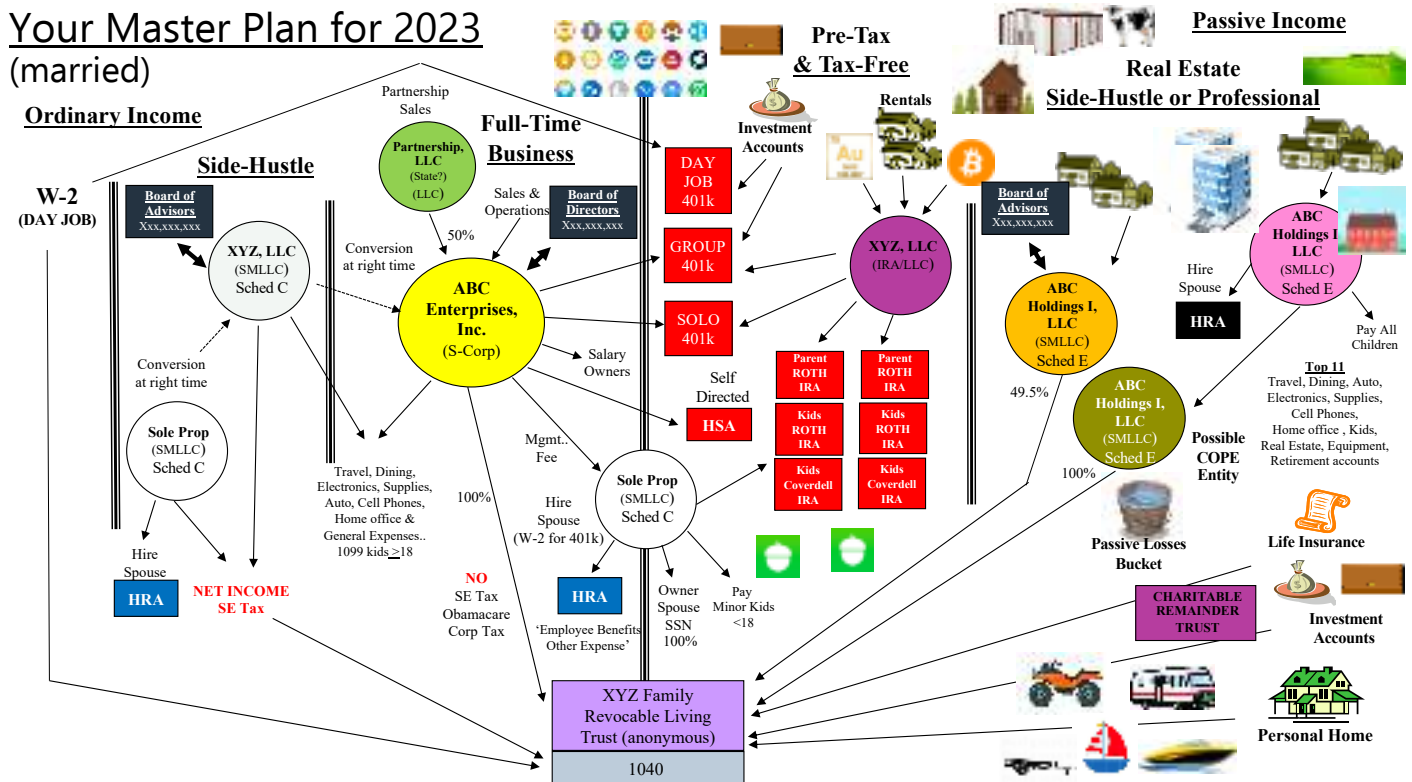
WHO HAVE I CHOSEN OR WOULD LIKELY CHOOSE AS MY TRUSTEE?

_____ (BACK UP)

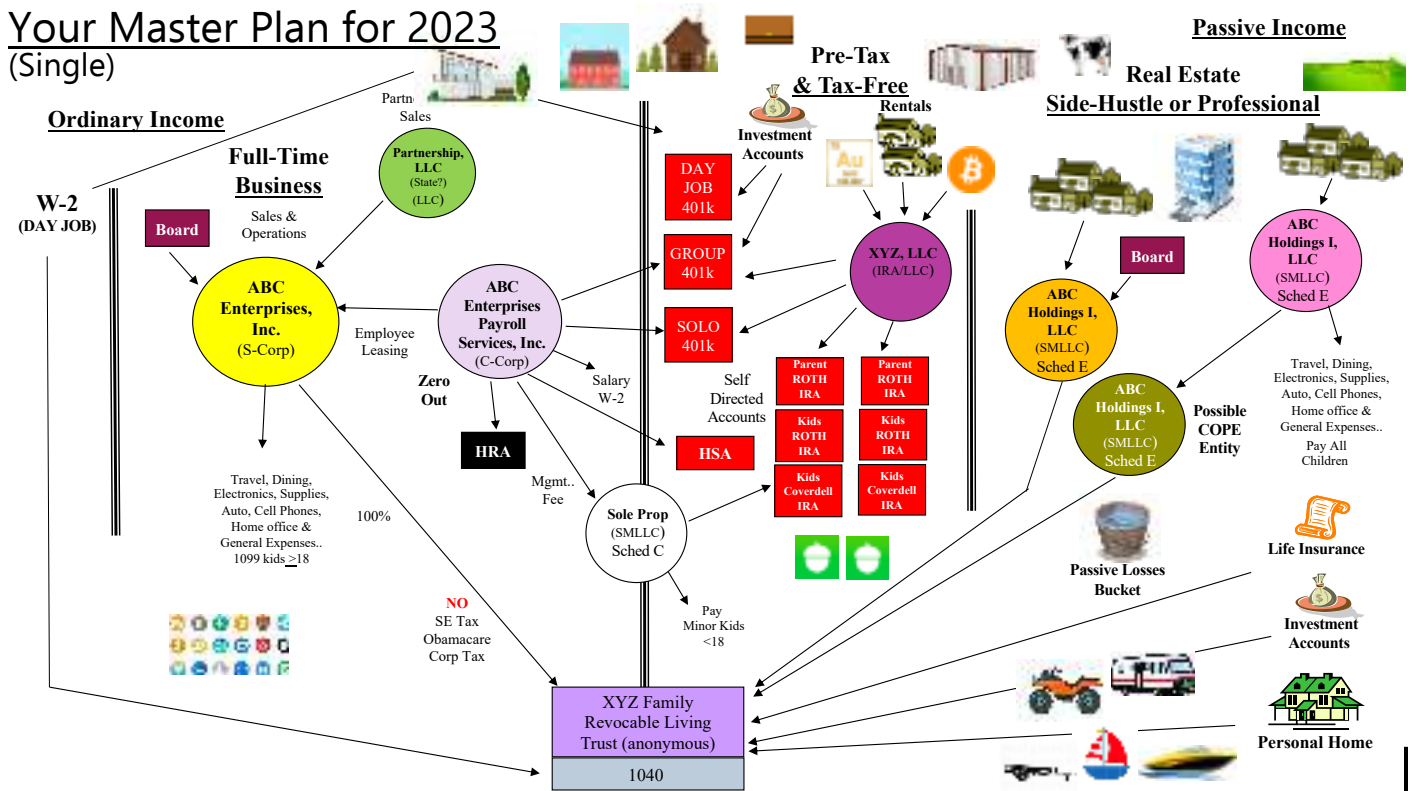
IF I DON'T ALREADY HAVE IT COMPLETED, I WILL HAVE MY ESTATE PLAN FINISHED BY...

DATE: _____

Your Master Plan for 2023 (married)



Your Master Plan for 2023 (Single)



DRAW YOUR IDEAL TRIFECTA HERE TO THE BEST OF YOUR ABILITY:

DAY 1

SECTION 8: DINING & FOOD EXPENSES

Dining Expense in 2022 (The last of the good days)

Type 1

Dining with Customer, Vendor, Board Member, or Employee

- Talking Business
- Food, Tips & Drinks
- **When Prepared by Restaurant**

100%

Type 2

Dining by Myself while Traveling for Business

- Food, Tips & Drinks
- **When Prepared by Restaurant**

100%

Type 3

Dining by Myself while Traveling

NOT Prepped by Restaurant

- Traveling for business
- 50%

Type 4

Dining with others NOT Prepped by Restaurant

- Discussing Business
- 50%

Type 5

Office food for Employees

- Water bottles, sodas, candy, coffee maker, and snacks, etc..

50%

Type 6

Presentation/Events

- For Customers
- Company Parties for Employees if 50% or more aren't family or highly compensated

100%

Type 7

Office treats for Customers

Water bottles, sodas, candy, coffee maker, snacks, etc.

100%



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Dining Expense in 2023 "Back to Normal"

Type 1

Dining with Customer, Vendor, Board Member, or Employee

- Talking Business
- Food, Tips & Drinks
- **When Prepared by Restaurant**

100%-back to 50%

Type 2

Dining by Myself while Traveling for Business

- Food, Tips & Drinks
- **When Prepared by Restaurant**

100%-back to 50%

Type 3

Dining by Myself while Traveling

NOT Prepped by Restaurant

- Traveling for business
- 50%

Type 4

Dining with others NOT Prepped by Restaurant

- Discussing Business
- 50%

Type 5

Office food for Employees

- Water bottles, sodas, candy, coffee maker, and snacks, etc..

50%

Type 6

Presentation/Events

- For Customers
- Company Parties for Employees if 50% or more aren't family or highly compensated

100%

Type 7

Office treats for Customers

Water bottles, sodas, candy, coffee maker, snacks, etc.

100%



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AUTO VERSUS TRAVEL

Auto It Depends

Multiple Personal OR
Business cars

Trucks

Motorcycles

Vans

RVs

Diesel Trucks

Travel 100% of what you spend

Airfare

Hotel

Rental Cars and their gas

Trains

Subways

Valet, Taxis, Uber



TIER 1- AUTO DEDUCTION STRATEGIES

Auto – Mileage versus Actual

*Always keep mileage records if there is personal use

90% of our clients would use Mileage **in the Past**

Business

2022 – 58.5 / 62.5 cents

2023 – ?

Medical/Moving

2022 – 18 cents

Charitable

2022 – 14 cents

Personal and
Commuting Non-Deductible

Actual

NEXT SLIDES

OWNING OR LEASING

**- Don't Forget Business % of
Interest on Auto Loan**



THE OLD "ACTUAL"

Luxury Vehicles were anything over \$15,800 = Depreciation limits

FOR EXAMPLE:

For example, say in 2017 you bought a \$40,000 car and drove it 100% for business. **Your maximum depreciation deductions for the first five years would total only \$15,060. To fully depreciate this car under the old rules would have taken 19 years.**

Under NEW law the so-called luxury automobile limit is \$50,000...AND Bonus Depreciation at \$8,000...NOW you can depreciate it over 6 years****



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#10/15 - Buy New Vehicle Before Year-end

\$58,000 Business cost of the Car (**new OR used**)

**The New 'Loophole'
Bonus Depreciation**

- \$8,000 Bonus Depreciation (now \$50,000 basis)
- \$11,200 Year 1
- \$18,000 Year 2
- \$10,800 Year 3
- Each succeeding year \$6,460

TOTAL DEPRECIATION in FIRST 3 Years: \$48,000 or 83%
+ Fuel (3,000 gallons), Repairs, Maintenance, Insurance & Interest

Deduct the % of business use of these expenses

Compare Mileage 75,000 (25k a year) x .54 = \$43,500

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SUVS, TRUCKS AND VANS

It Gets Better!!!

SUV
>6,000 lbs
 Depreciation Expense
 (179)
 \$25,000
 NEW or USED
Then Bonus
100% of purchase
 (NO LIMIT)

TRUCK
 < 6ft bed
>6,000 lbs
 Depreciation Expense
 (179)
 \$25,000
 NEW or USED
Then Bonus
100% of purchase
 (NO LIMIT)

BIG TRUCK
Delivery Truck/Van or
RV
 ≥ 6ft bed
>6,000 lbs
 Depreciation Expense
 (179)
 \$1M limit
Then Bonus
100% of purchase
 (NO LIMIT)

Purchase Price NEW or USED: 100% Write-off

+ Fuel Repairs, Maintenance, Insurance & Interest
 (assuming 100% business use) ** Just do the math
 (compared to 25,000 miles a year = \$13,500)



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LEASE DEDUCTION

	<u>Actual</u>	<u>Mileage</u>	
	95% of the time this is best!		
If a higher lease Payment then take the Payment as an actual Expense plus Everything else	- Fuel, repairs and maint	Business	If you have a lower lease payment consider Mileage to get a better Overall write-off AND A lower payment rather Than buying- RARE you do mileage while leasing
	- % of Lease Payments	2022 – 58.5 / 62.5 cents	
	- Small lease “add back” schedule	2023 – ?	
	- Mileage limits & residual value?	Medical/Moving	
	- Amortize down payment	2022 – 18 cents	
		Charitable	
		2022 – 14 cents	
		Personal and Commuting Non- Deductible	

RUN THE NUMBERS!!!!



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7 RULES OF THUMB FOR THE AUTO DEDUCTION:

Rule #1 – If you are going to put on A LOT of business miles, and the car is generally a lower purchase cost then the **Mileage Method** is going to win.

Rule #2 – If you're NOT going to have a lot of business miles, and it's an average cost vehicle used exclusively or primarily for business, then you will lean towards the **Actual Method**.

Rule #3 – If you're NOT going to have a lot of business miles, and it's a more expensive car used exclusively or primarily for business, you should consider leasing and the **Actual Method**. You'll have lower monthly payments making a better economic decision.

Rule #4 – If you are going to have low miles and it's a lower cost vehicle used primarily or exclusively for business, I would still lean towards the **Actual Method** because the miles won't give you the benefit compared to at least some type of depreciation.

Rule #5 – If you are going to use your car part-time for business because you have a day job, you will typically use **Mileage Method**. The reason being is that you have to show at least 50% business use in order to utilize the actual method.

Rule #6 – If you are going to buy a 6,000lb or more SUV or truck, you will generally lean towards the **Actual Method** because you are going to have a lower MPG pushing up your actual costs and bonus depreciation is 100 percent. In other words, you can possibly write off entire vehicle in the first year.

Rule #7 – If you have a high MPG (think hybrid or electric), but still have average use and miles, you will lean towards the **Mileage Method** because your operating costs are going to be much lower generally.

MY AUTOS AND METHOD FOR DEDUCTING THEM IS AS FOLLOWS:

<u>AUTO</u>	<u>METHOD</u>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

Changing State Domicile

"Subjective" list of items to complete:

1. Choose a transition date
2. Show a living residence (rent or purchase)
3. Don't show employment in prior jurisdiction
4. Move business/company registrations to new jurisdiction
3. Move Vehicle registration to in new jurisdiction
4. Register to Vote in new jurisdiction
5. Consider Church, Gym and other 'memberships'
6. Consider moving cell phone and other location devices
7. File 'final' and 'new' returns in proper jurisdiction as applicable



THE CURRENT TAX RATE IN MY DOMICILE STATE:

TAX SAVINGS IF I WERE TO MOVE:

IF I WERE TO MOVE DOMICILE, I WOULD MOVE TO THE FOLLOWING STATE:

POTENTIAL MOVE DATE:

DAY 1

SECTION 11: MAXIMIZING TRAVEL WRITE-OFFS

TRAVEL WRITE-OFF

Ideas...

1. Meet a Vendor
2. Meet a Client
3. Corporate Meeting
4. Visit a Rental
5. Attend a Workshop



Hotel, air, valet, tips, rental car,
rental car gas, tolls, taxis, limos,
ferry's, subways, horse and carriage.
100%!!! Deductible

Cruises- Watch out!!

TRAVEL DAYS

Thu	Fri	Sat	Sun	Mon	Tue	Wed
				Travel	Business	Travel
				Trip Write-Off!!		

Thu	Fri	Sat	Sun	Mon	Tue	Wed
Travel	Business	Personal	Personal	Business	Travel	
Stuck there on the weekend b/c conducting business on Monday						
Entire Trip Write-Off!!						

DAY 1

SECTION 12: PAYING FAMILY MEMBERS

#6/15 PUT YOUR FAMILY ON PAYROLL

Spouse, Children, Parents, Grandchildren

1. Save Taxes
2. Help them to become self-reliant
3. Teach small business ownership skills
4. Instill the concept of a job well done
5. Save money in the business without having to hire outside help- It's money you were going to give them anyway
6. Teach them how to do a hard day's work – If you're Lucky!!

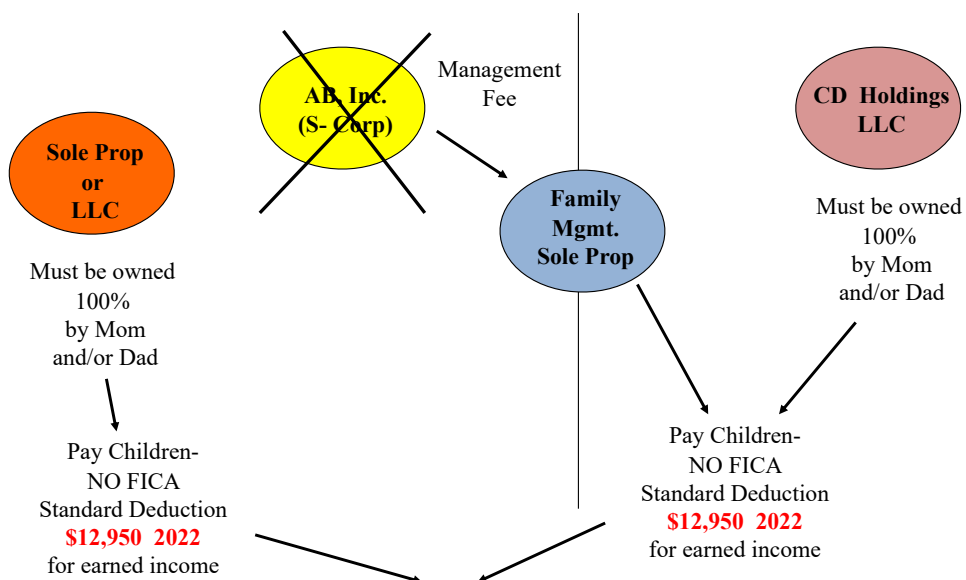
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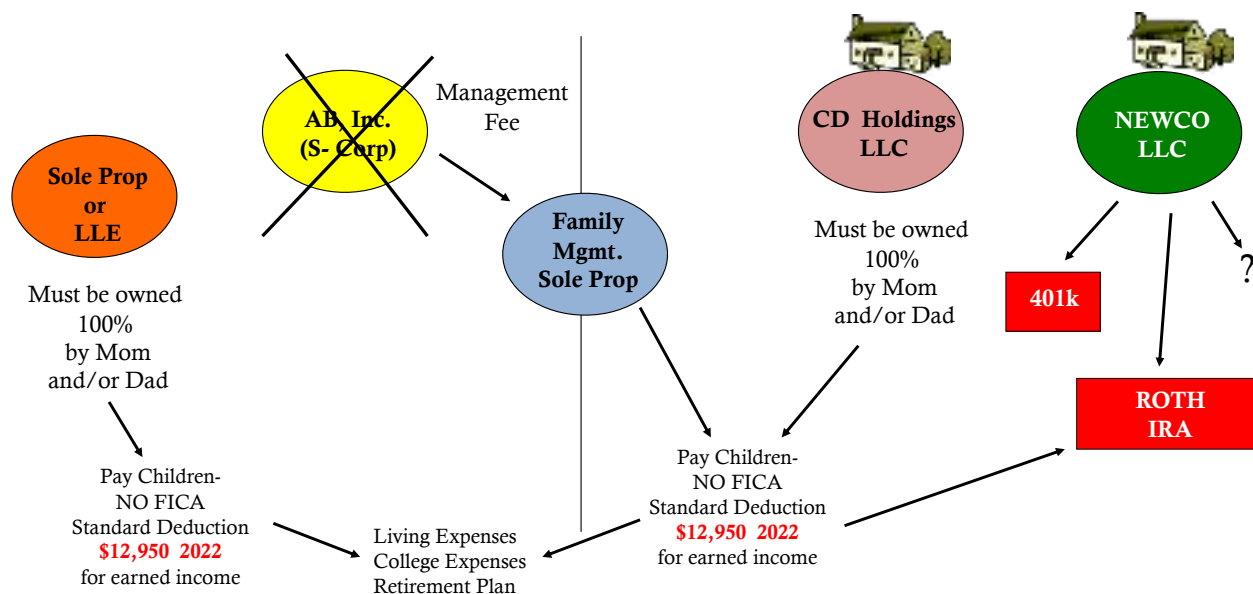
KIDS < AGE 18



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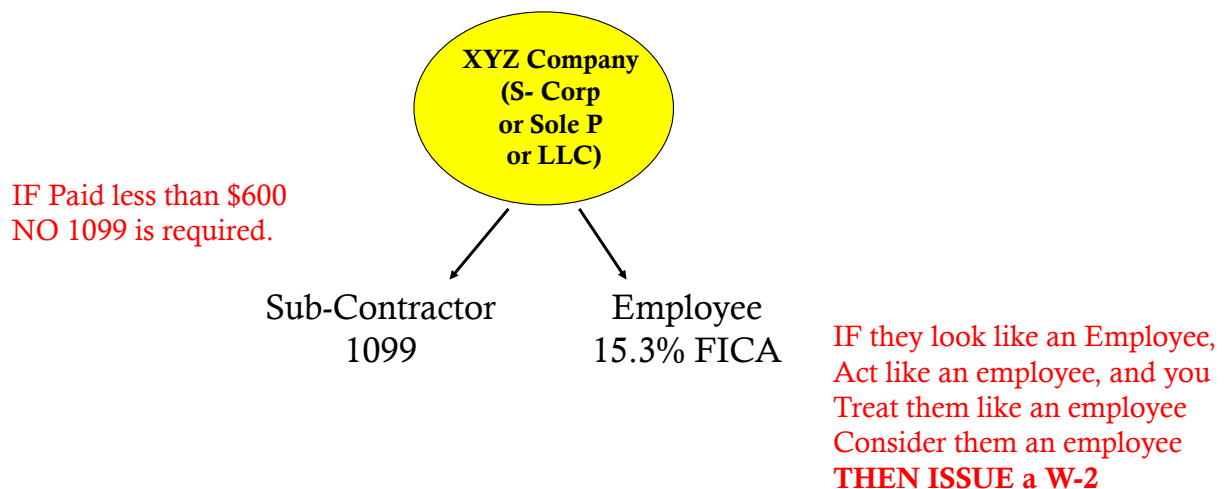
KIDS < AGE 18... *NEXT LEVEL*



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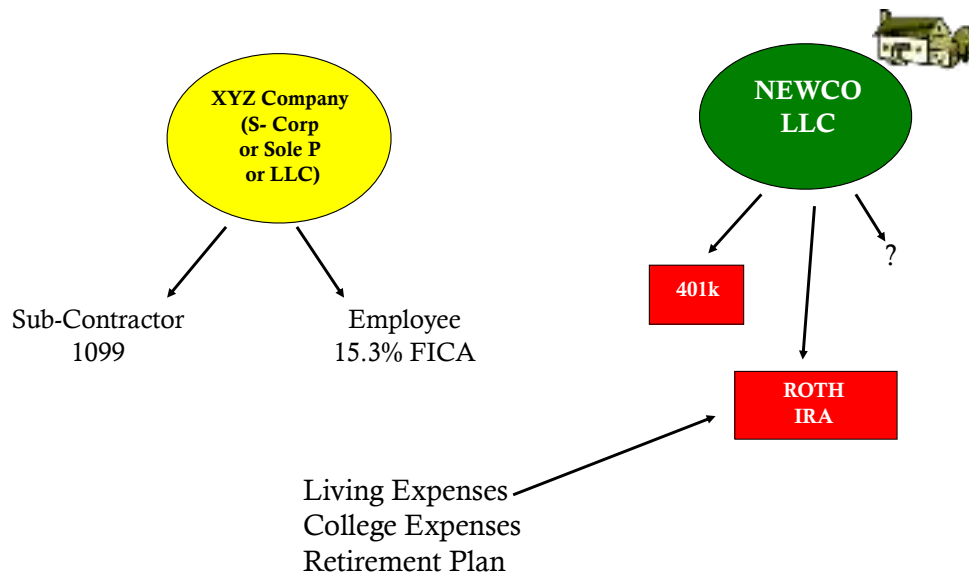
KIDS 18 AND OVER



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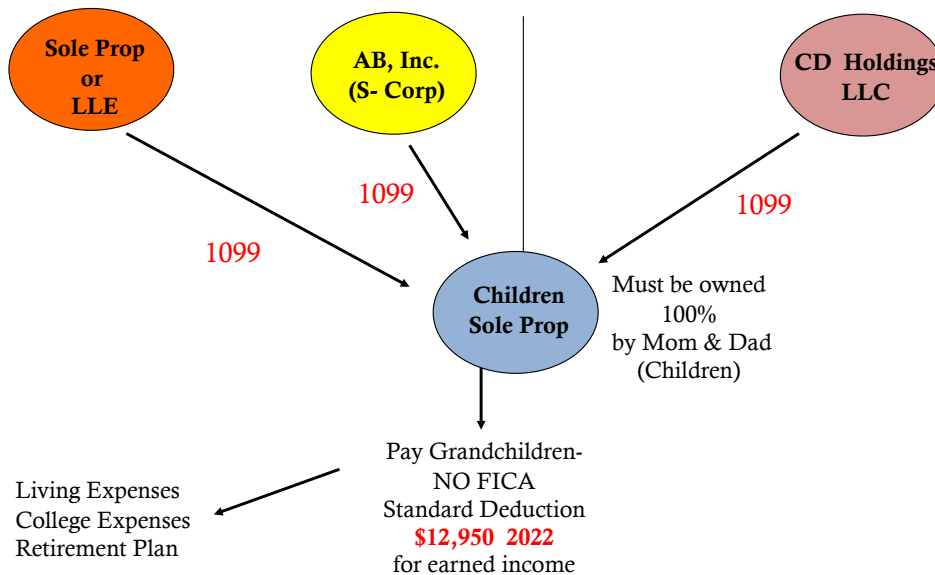
KIDS 18 AND OVER...*NEXT LEVEL*



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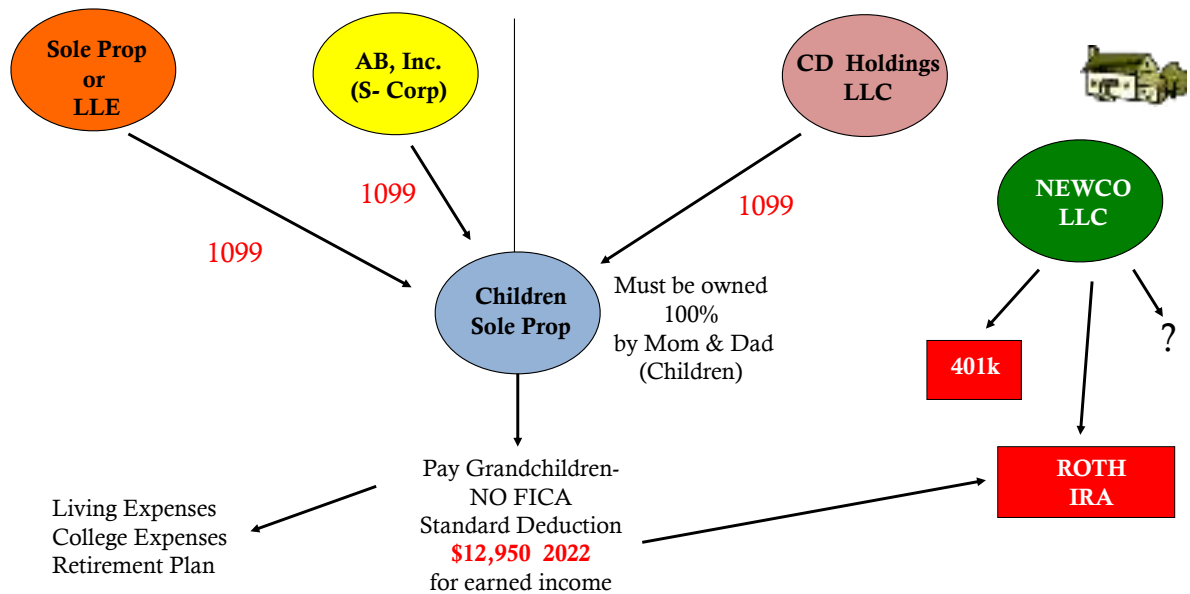
PAYING GRANDCHILDREN



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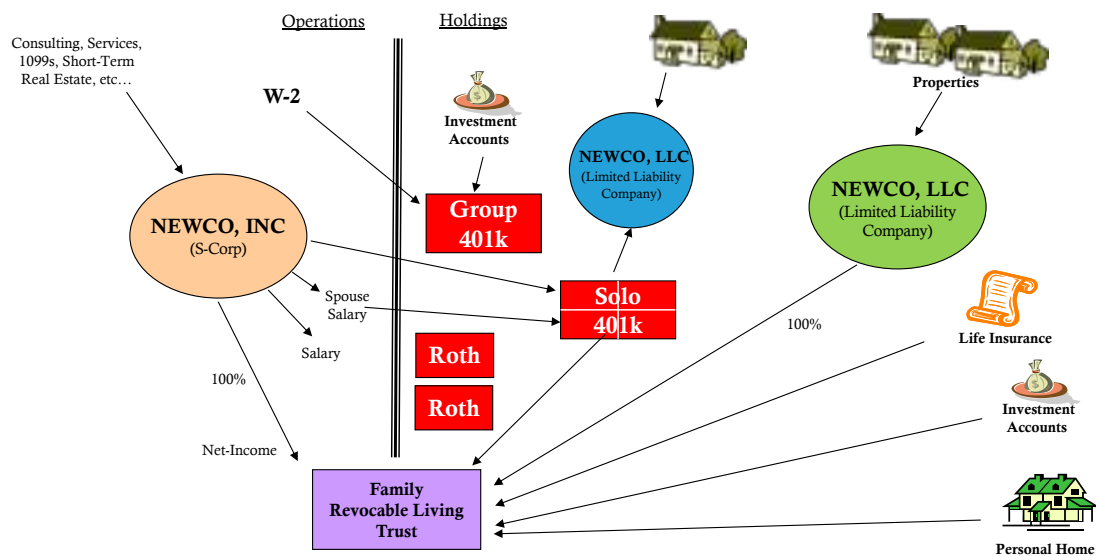
PAYING GRANDCHILDREN...*NEXT LEVEL*



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PAYING YOUR SPOUSE *ONLY IF...*



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I AM GOING TO PAY THE FOLLOWING FAMILY MEMBERS IN 2022 THE FOLLOWING AMOUNTS AND METHOD:

<u>FAMILY MEMBER</u>	<u>AMOUNT</u>	<u>METHOD</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

DIAGRAM YOUR TRIFECTA FOR PAYING FAMILY MEMBERS HERE:

SAVING STRATEGIES



START AN EMERGENCY & OPPORTUNITY FUND

TWO REASON:

1. Unforeseen but expected 'Emergencies'
2. Unforeseen, but expected 'Opportunities'.

Stay dedicated, it will fluctuate and give tremendous security, flexibility and opportunity



BUILDING YOUR "BUCKETS"



3 Bucket System

(more advanced principles in "Financial Freedom")



\$1,000



1 month



3 months



I CURRENTLY HAVE THE FOLLOWING AMOUNT IN CASH IN AN UNRESTRICTED SAVINGS ACCOUNT:





\$ _____

A GOOD AMOUNT FOR ONE MONTH'S SAVINGS WOULD BE:

\$ _____

I WILL HAVE MY 3 BUCKETS FUNDED AND SET ASIDE BY THE FOLLOWING DATE AND IN THE FINANCIAL INSTITUTION:

SAVING VEHICLES

		Deposit	Return	Withdrawal
	Bank	No Deduction	Taxed	Any Time for Any Reason
	Brokerage App	No Deduction	Taxed	Any Time for Any Reason
	Traditional IRA	Deduction	No Tax	Taxed
	Roth IRA	No Deduction	No Tax	No Tax!!

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DEVELOPING A HABIT OF SAVING

How to have a **\$1 Million** Roth at age 67

	20 Years old	30 Years old	40 Years old	50 Years old	60 years or older (70 year goal)
WEEK	\$12	\$36	\$115	\$412	\$1,000
MONTH	\$45	\$145	\$450	\$1,650	\$4,000
YEAR	\$540	\$1,740	\$5,400	\$19,800	\$48,000

*Assuming a 12% annual rate of return

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BASED ON MY AGE I NEED TO PUT AWAY THE FOLLOWING AMOUNTS TO HAVE 1M at 67:

WEEKLY: \$ _____ MONTHLY: \$ _____ YEARLY: \$ _____

WHY Acorns® App?



- Acorns® helps you Save...you can move the money to 'Invest'
- The process of setting up and maintaining an Acorns® account helps you establish and strengthen good habits
- You can be an example to your family and friends, young or old
- Starting Acorns® while you dig out of a financial hole gives you hope, purpose and a vision for the future



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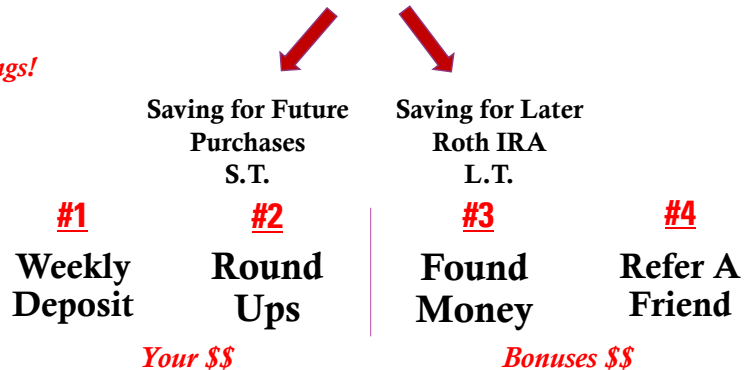
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THE "OTHER" BENEFITS OF Acorns®



- Its for Saving NOT Investing

Beginners:
4 Ways You build Your Savings!



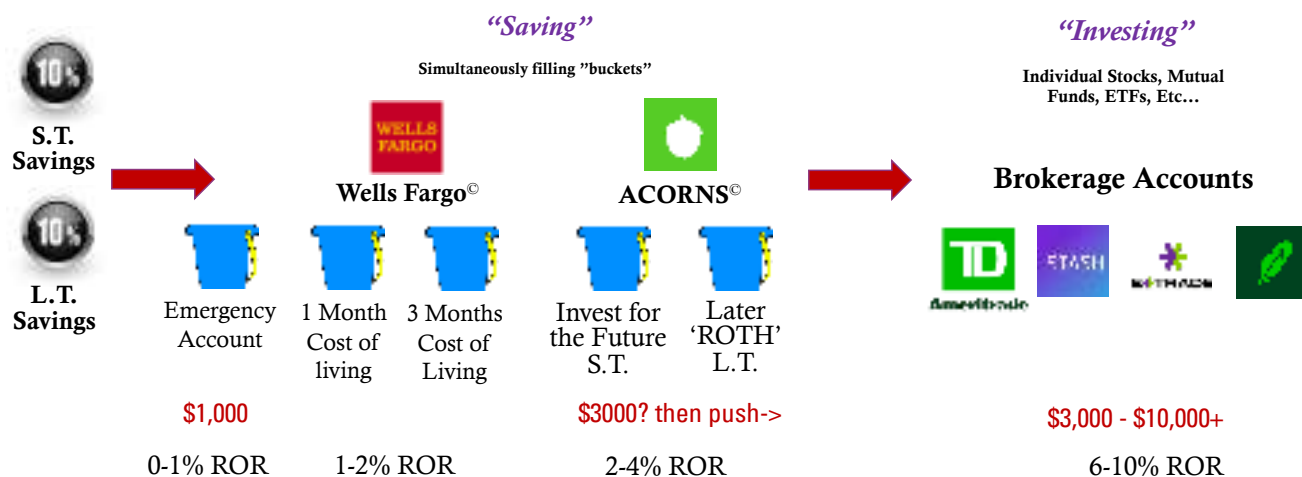
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SAVING TO INVESTING



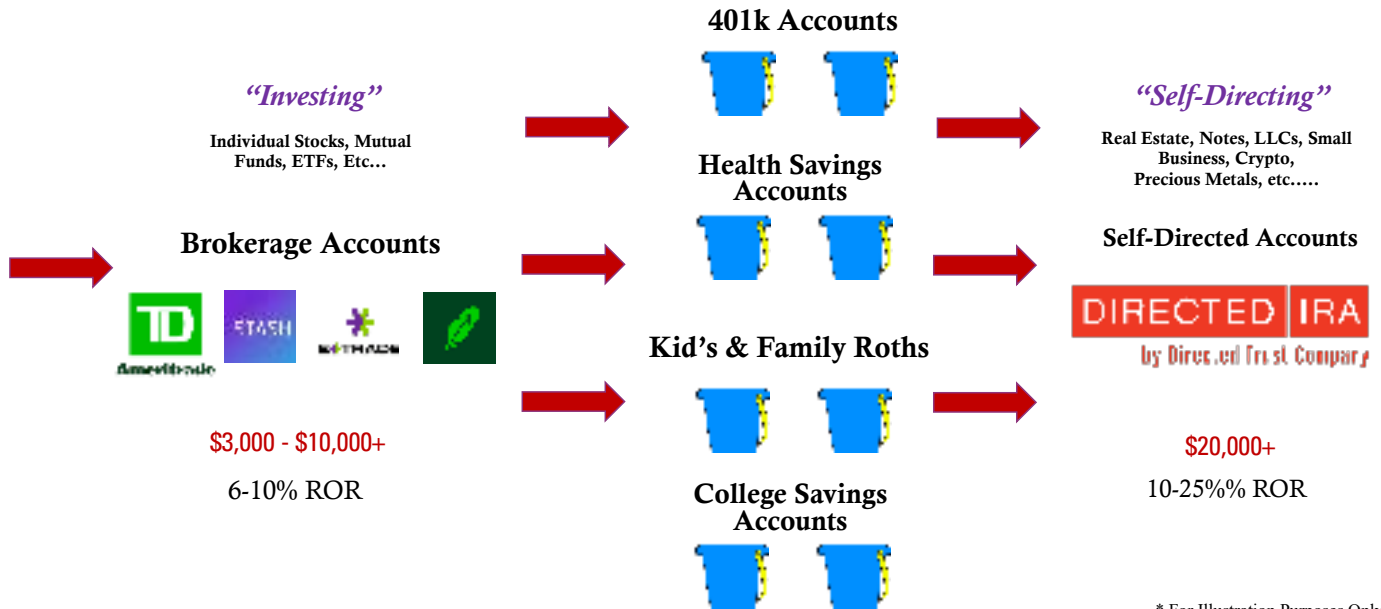
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INVESTING TO "SELF-DIRECTING"



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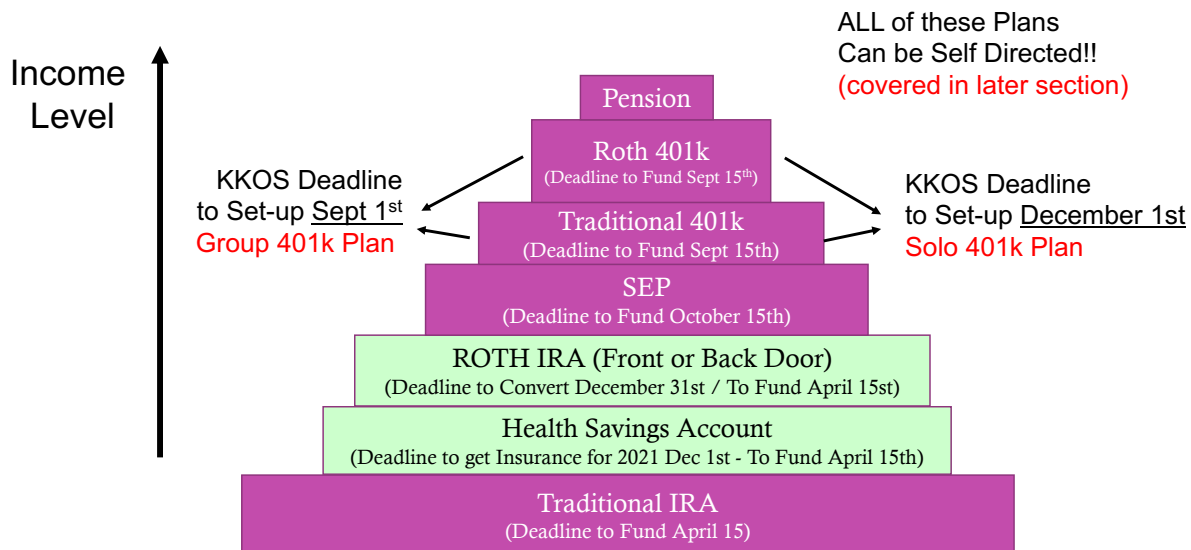
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MY PLAN FOR SAVING AND INVESTING IS AS FOLLOWS:

DAY 2

SECTION 2: CHOOSING THE BEST RETIREMENT PLAN

CHOOSING THE BEST RETIREMENT PLAN



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2022 FUNDING LIMITS

<u>Contribution / Deduction</u>	<u>Phase Out Limitations / Minimum Payroll Amounts</u>
<ul style="list-style-type: none"> Defined Contribution Plans, Defined Benefit Plans, 412i, etc.. Maximum \$230,000 	<p>** This is simply an illustration. Every individual plan needs to be carefully drafted based on the particular business structure and needs of the owner.</p>
<ul style="list-style-type: none"> 401K or ROTH 401K - \$20,500+ Match 25% of income not to exceed \$61,000 - \$27,000 if age 50 or above 	
<ul style="list-style-type: none"> SEP – Maximum \$61,000 or 25% of Compensation 	<ul style="list-style-type: none"> Equal to Salary amount, not to exceed \$61,000
<ul style="list-style-type: none"> IRA (Roth) -\$6,000 <ul style="list-style-type: none"> Catch up if >50 - \$7,000 (combined contribution with Traditional) IRA (Traditional) -\$6,000 <ul style="list-style-type: none"> Catch up if >50 - \$7,000 (combined contribution with Roth) 	<ul style="list-style-type: none"> Single limited if AGI between 129K-144K Married limited if AGI between 204K-214K Conversion allowed at ANY income level
	<ul style="list-style-type: none"> No Employer Plan- No Limit Employer Plan- Single AGI Phase out – 68K-78K Employer Plan- Both Married AGI Phase out – 109K-129K Employer Plan- One Spouse AGI Phase out – 204K-214K Catch Up Provisions have additional rules



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2022 FUNDING LIMITS



<u>Contribution / Deduction</u>	<u>Phase Out Limitations / Minimum Payroll Amounts</u>
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#8/15 – Implement a Solo 401k Plan

	Maximum Employee Contribution under age 50	Maximum Employee Contribution age 50 or Older	
2022 401k Roth Limit	\$20,500	\$27,000	<p>You Choose!!</p>  <p>Roth</p>
With Matching and Solo 401k	\$61,000	\$67,500	 <p>Traditional</p>

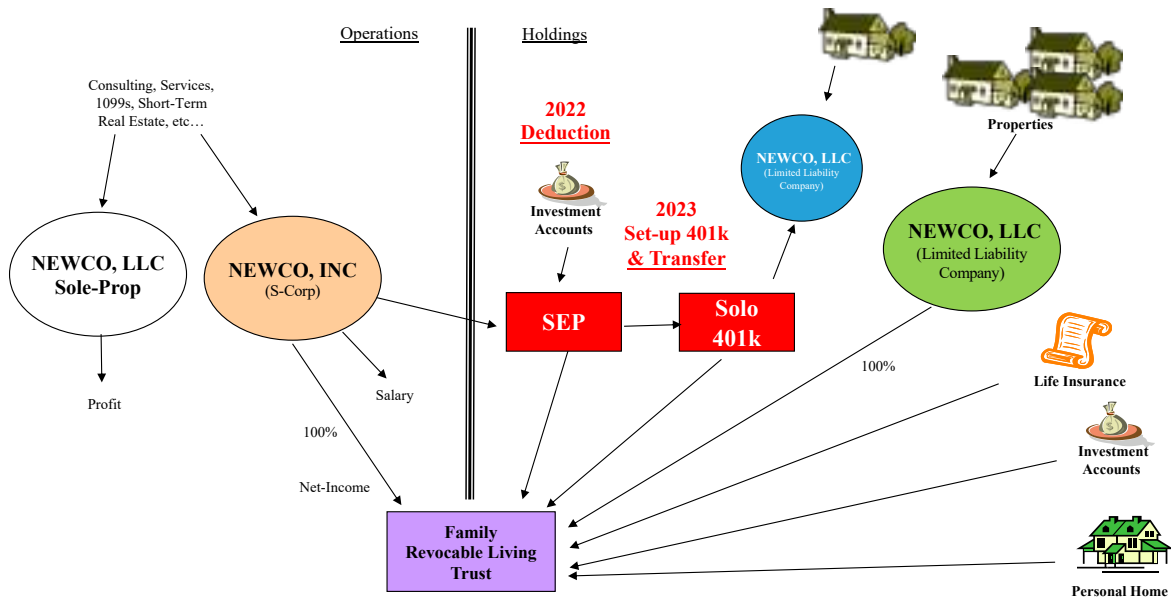
2022 Year-End Strategy



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I MISSED THE 401K SET-UP DEADLINE



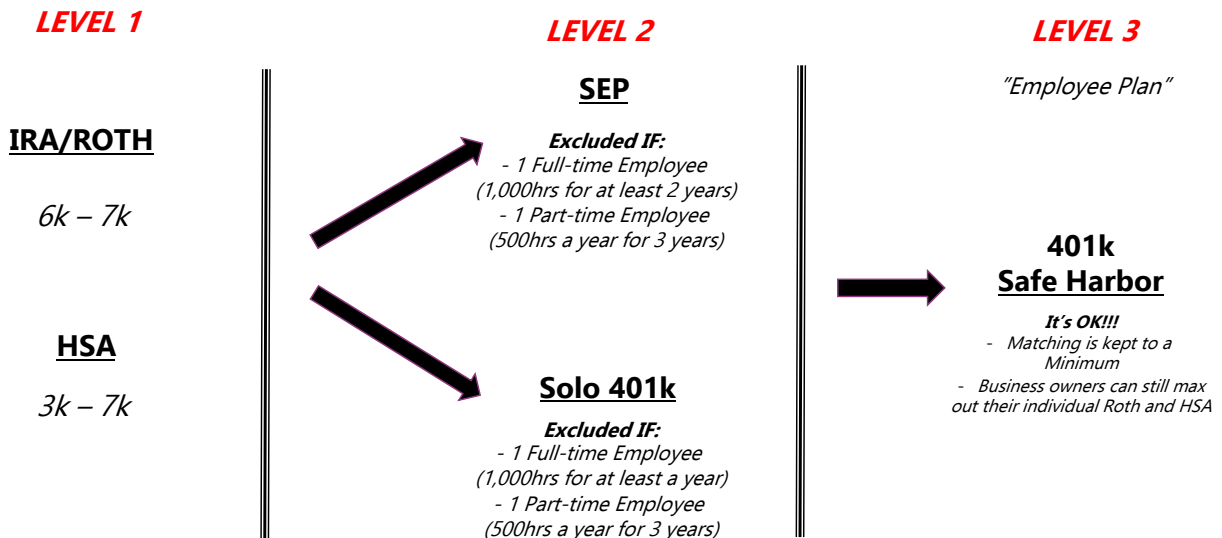
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IRA to SEP to 401k progression



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THE BEST RETIREMENT PLAN FOR ME IN 2022 IS AS FOLLOWS:

I PLAN TO CONTRIBUTE THE FOLLOWING TO MY ROTH:

\$ _____

I PLAN TO CONTRIBUTE THE FOLLOWING TO MY HSA:

\$ _____

I PLAN TO CONTRIBUTE THE FOLLOWING TO MY 401k:

\$ _____

THE APPROXIMATE AMOUNT CURRENTLY IN MY RETIREMENT ACCOUNTS IS AS FOLLOWS:

_____	_____
_____	_____
_____	_____
_____	_____

ROTH TRUTHS – DISPELLING THE MYTHS

- You can have multiple Roth Accounts **AND** tax-deductible retirement accounts
- You can have a 401k at work AND a personal Roth Account
- You can fund a Roth at ANY income level (the back door Roth)
- You can invest your Roth in ETFs, Mutual Funds & Bonds (the boring stuff)
- You can also invest your Roth in Individual Stocks, Penny Stocks, Real Estate, Cryptocurrency, Gold, LLCs, Notes...Almost anything! (but Wall Street won't tell you this)
- You can start and fund a Roth at ANY age (3 years old or 93 years old)
- **The Roth wins every time. Tax-Free Growth...period!**

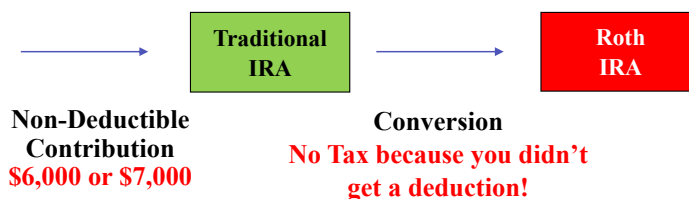


BACK DOOR ROTH

**TOLD
No by
current
CPA or
Financial
Advisor??**

**They're
Wrong!!**

**The "Back Door Roth" works at
ANY Income Level & ANY Age!**
(You can even do it on top of your 401k)

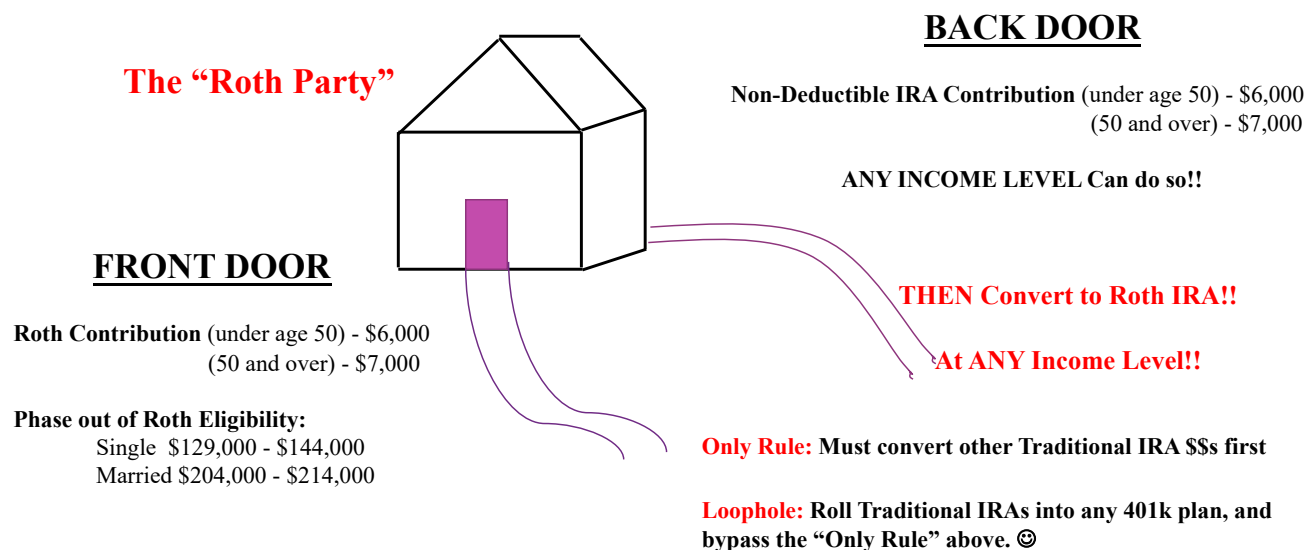


**** HOWEVER, you must Convert old Traditional IRAs
FIRST before using Backdoor Strategy. For this conversion,
you will pay tax.**



I QUALIFY FOR A FRONT DOOR OR BACK DOOR ROTH IRA: _____

HOW TO GET INTO THE PARTY



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#12/15 – Roth Conversion

1. No income limits
2. Run the numbers
3. May be Last Year for “back door”
4. **DEADLINE – December 31st**
5. You CAN'T change your mind on April 15th

www.directedira.com

2022 Year-End Strategy



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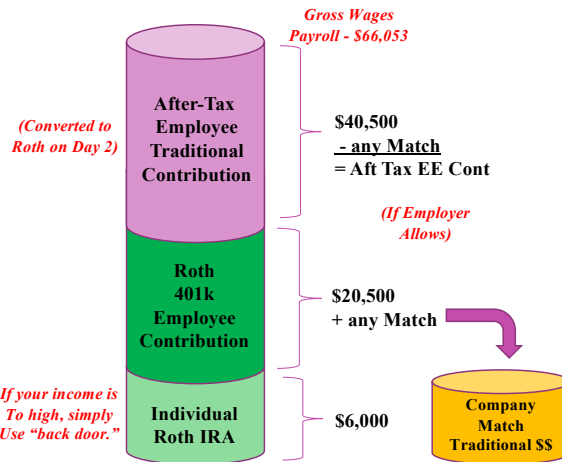
2022 Mega Back Door Roth

(Employee **UNDER** age 50)

**** Always Satisfy
Payroll Matrix FIRST!!**

Start from there

*Under QBI
Strategy...not
taking a Match
ALSO increases
your QBI
deduction.
IN SOLO 401k-
Don't do Match*



Possible Total
\$61,000 401k
\$6,000 Individual Roth
\$67,000 - Total

*With Solo 401k
"elect no match"*
\$40,500 = Aft Tax EE Cont

*Solo Election
ALLOWS for
Optimal
Payroll:
\$66,053*

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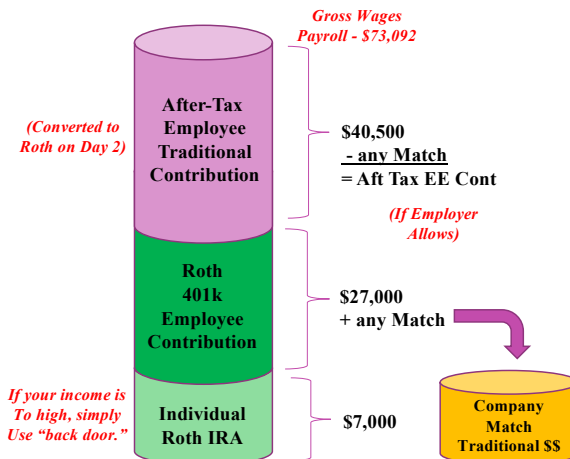
2022 Mega Back Door Roth

(Employee age 50 **OR OVER**)

**** Always Satisfy
Payroll Matrix FIRST!!**

Start from there

*Under QBI
Strategy...not
taking a Match
ALSO increases
your QBI
deduction.
IN SOLO 401k-
Don't do Match*



Possible Total
\$67,500 401k
\$7,000 Individual Roth
\$74,500 Total

*With Solo 401k
"elect no match"*
\$40,500 = Aft Tax EE Cont

*Solo 401k
Election
ALLOWS for
Optimal Payroll:
\$73,092*

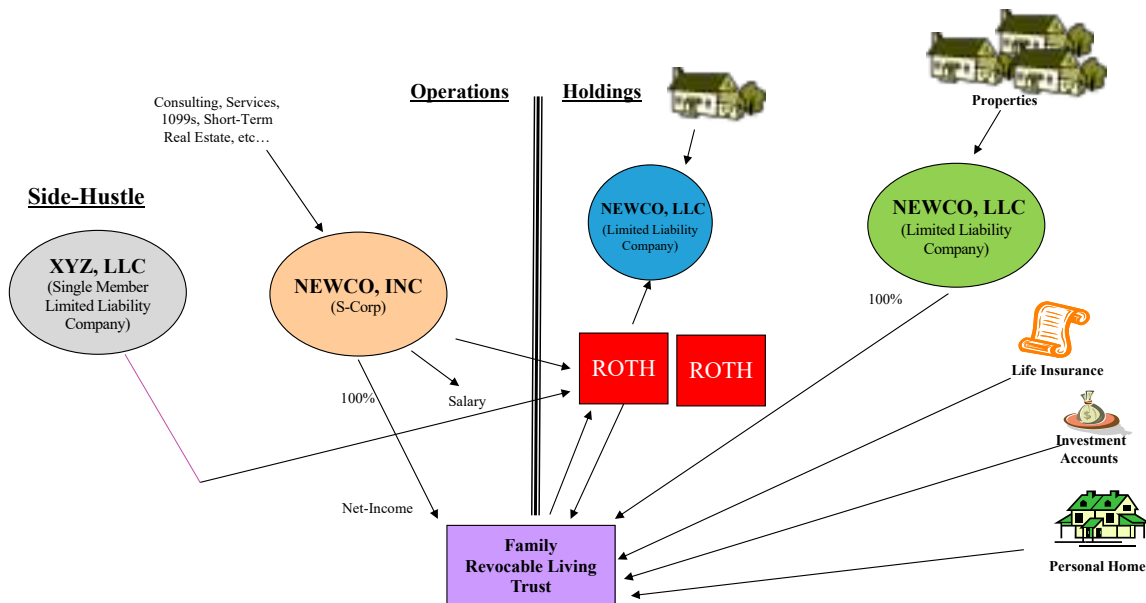
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START WITH A ROTH IRA AND HSA



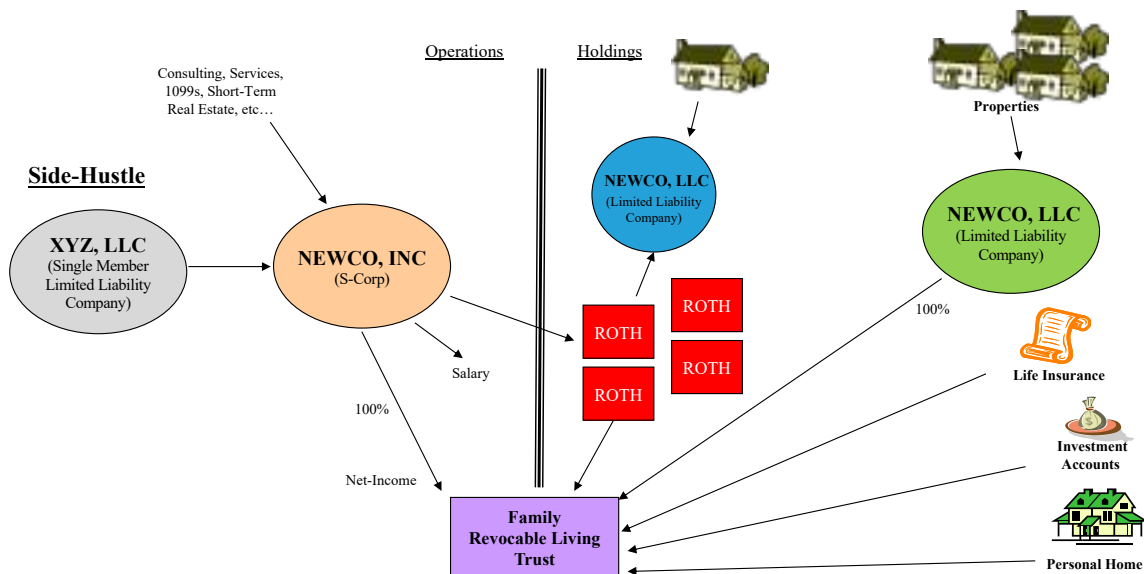
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ROTH IRAS FOR ALL FAMILY MEMBERS



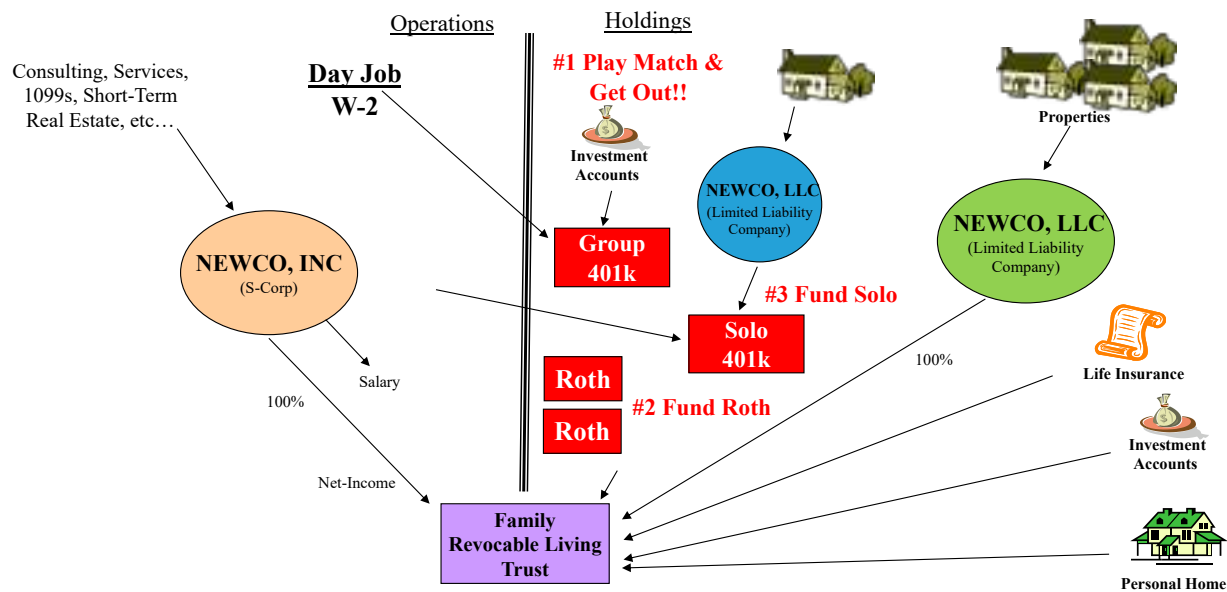
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FUNDING 401K PLAN



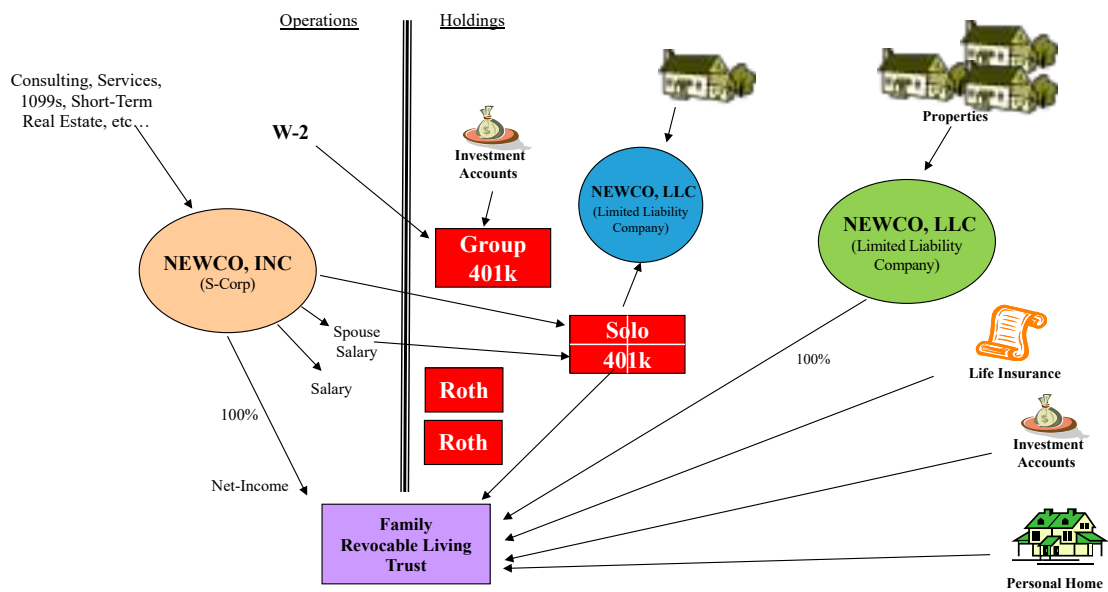
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PAYING A SPOUSE TO FUND 401K



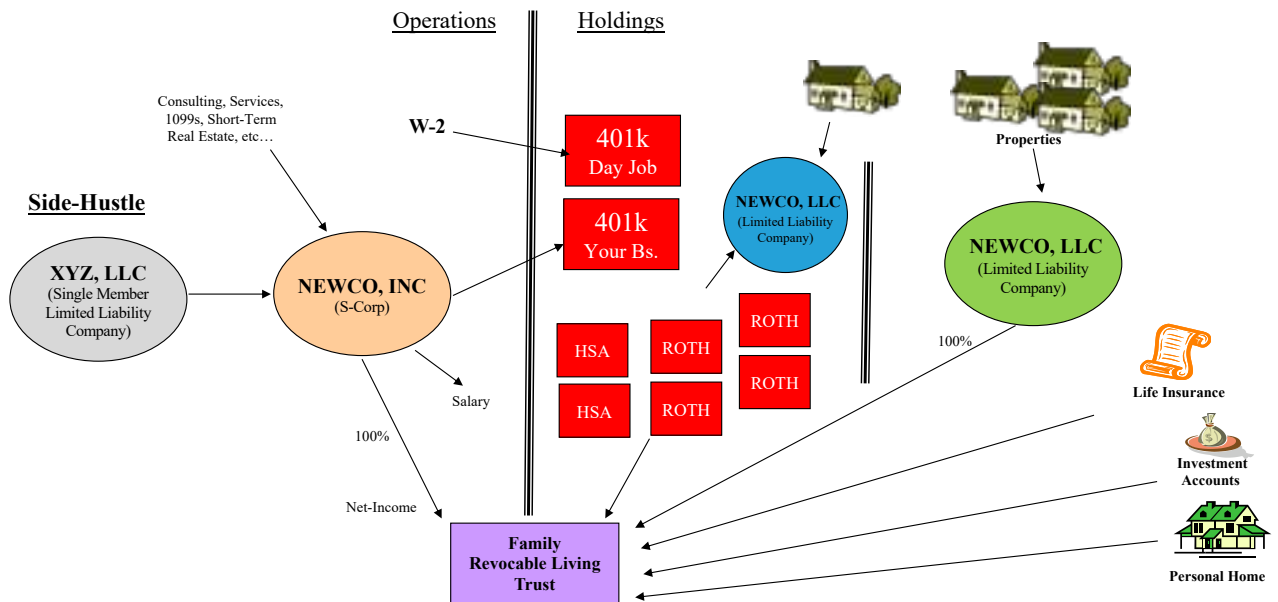
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BRINGING IT ALL TOGETHER



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DIAGRAM YOUR TRIFECTA WITH YOUR RETIREMENT ACCOUNTS HERE:

DAY 2

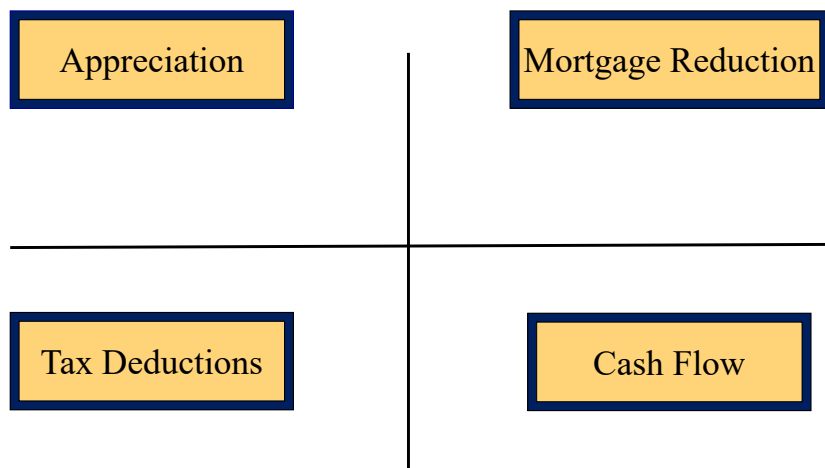
SECTION 4: WHY RENTAL REAL ESTATE

WHY TO CONSIDER 1 RENTAL PROPERTY A YEAR

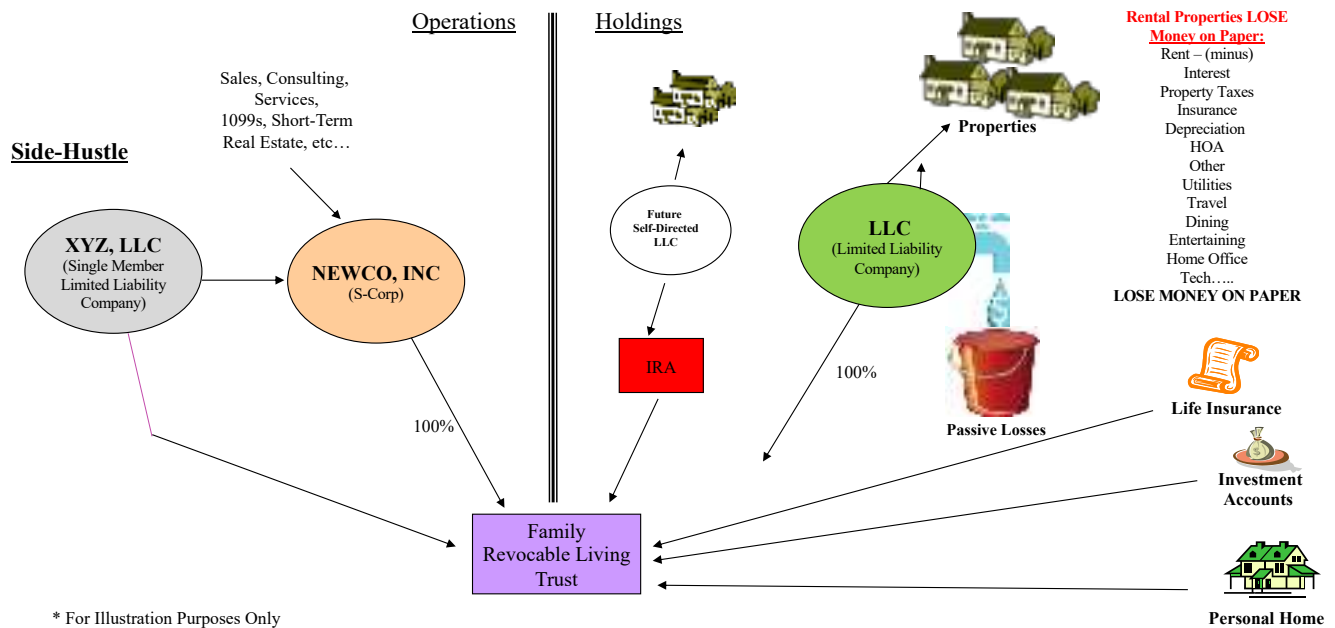
Build wealth
Create Cash flow
Save Taxes
Diversify
Leave a legacy
And much much more...!



THE 4 BENEFITS OF RENTAL REAL ESTATE



RENTAL PROPERTY TAX BENEFITS



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MY PLAN FOR RENTAL PROPERTY IS AS FOLLOWS:

TYPES OF REAL ESTATE INVESTORS

Passive Investors

ANYONE Qualifies, but ONLY deductible against other PASSIVE INCOME

Active Investors

Just make decisions and you Qualify. However, losses are limited to 25k and phase out at 150 Adjusted Gross Income.

Real Estate Professionals

Two-part TEST:

- 1) 750 Hours a year DOING Real Estate, AND
- 2) Primary Occupation is Real Estate

THEN....Must Materially participate under 1 of 7 tests.

IF YOU QUALIFY...ALL RENTAL LOSSES ARE DEDUCTIBLE!!



DEALER/REAL ESTATE PROFESSIONAL

“To be or not to be....”

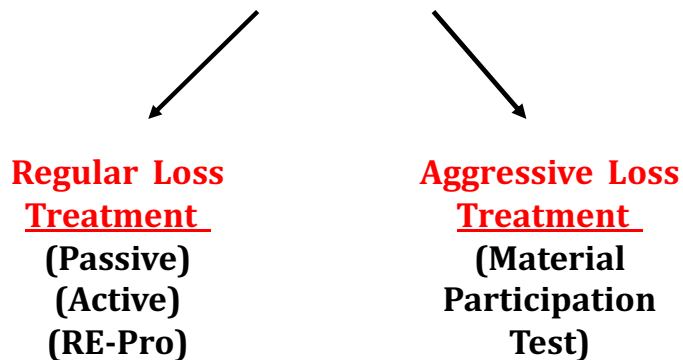


	Benefit	Drawback
Dealer/ Professional	Deduct all losses in full	SE Tax on ordinary income ----- No 1031s unless...
NON Dealer/ Professional	No SE Tax ----- More flexibility with 1031s	Losses against ordinary income capped at \$25K



TWO TYPES OF SHORT-TERM RENTALS

1. **“Business”** Short-Term Rental (Sched C subject to SE)
2. **“Passive”** Short-Term Rental (Sched E w/ Passive Income & Losses)



3 STEPS OF ANALYSIS

1. **Average number of Rental Days**
2. **Substantial Services**
3. **Material Participation**



FIRST: AVERAGE NUMBER OF RENTAL DAYS

- **SHORT-TERM RENTAL** = Average number of rental days < 7
- **IF NOT...**back to Long Term Rental Rules

EXAMPLE: Calculate Average Rental Days

Rented STR 21 times during the year (Number of Renters)

Total of 108 days rented (Number of Days)

Number of days/number of renters > $108/21 = 5.14$ days



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SECOND: SUBSTANTIAL SERVICES

- ☐ If you provide “Substantial Services” you must report income on Schedule C- **Subject to SE tax**

DOES NOT MEAN you have Ordinary Loss. Still have to prove Material Participation (see next step)

Examples of Services that are Substantial:

- Cleaning of the rental each day while the property is occupied by the same guests
- Changing bed sheets and other linens each day while the property is occupied by the same guests
- Concierge services
- Conducting guest tours and outings
- Providing meals and entertainment (like providing breakfast each morning)
- Providing transportation
- Providing other “hotel-like” services



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THIRD: MATERIAL PARTICIPATION

If an owner can show personal "Material Participation" then the rental losses 'Morph' into Ordinary Losses even without RE Pro Status (Treasury Regulations SEC. 1.4689-1T(E)(3)(II)(A)).

*7 Ways to show Material Participation:
(IRS Regs. Sec. 1.469-5T(a)(1)):*

Meet ANY of the 7 to qualify!!



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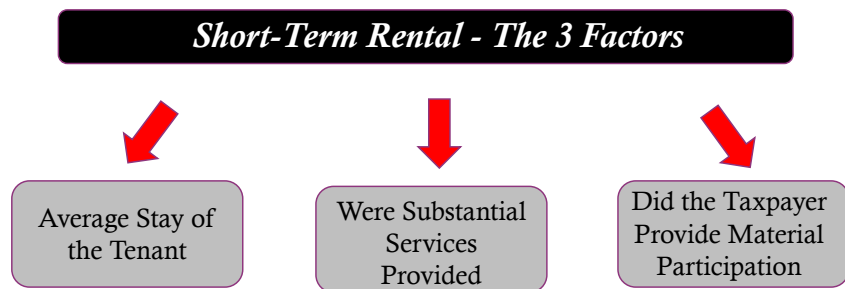
The EASIEST of the 7 to QUALIFY!

- #1. 500 Hours of participation in your short-term activities
- #3. 100 Hours of Participation AND it's more than ANY other individual

The 5 OTHER Crappy Ones:

- #2. Individual performs substantially all of the participation relative to all other individuals.
- #4. Significant participation activity for the taxable year, and aggregate participation in all significant participation activities exceeds 500 hours.
- #5. The individual materially participated in the activity for any 5 out 10 prior tax years
- #6. Personal service activity, and participation for any 3 prior years.
- #7. Based on all of the facts and circumstances, the individual participates in the activity on a regular, continuous, and substantial basis during such a year.

KEEP THE ANALYSIS SIMPLE



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THE SHORT-TERM PROPERTY MATRIX

		Substantial Services		
		Yes	No	No
Less than 7-day Ave Stay	Yes	YES- "Material Participation" Schedule C and subject to SE Tax or (S-Corp Strategy) BUT...You get Pass-Thru Losses & Cost-Seg Option	No- "Material Participation" Schedule E (<i>NO SE Tax</i>) Treated like regular Long-Term Rental	YES- "Material Participation" Schedule E (<i>NO SE Tax</i>) BUT...You get Pass-Thru Losses & Cost-Seg Option "Best of All Worlds"
	No	No- "Material Participation" Schedule C and subject to SE Tax (S-Corp Strategy) "Worst of All Worlds"	No- "Material Participation" Schedule E (<i>NO SE Tax</i>) Treated like regular Long-Term Rental	

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ACTIVE TRADER STATUS – PROS AND CONS

Active Trader Status WITHOUT “Mark to Market Election”

- Deduct Business Expenses (but not home office, and 179 on Schedule C)
- Recommend possible S-Corp for Solo 401k, home office expense, and less chance of Audit with 1120S
- Schedule D for gains and losses
- Still have carryforward loss & \$3,000 limit
- Schedule C for business expenses
- No ‘box’ to check (use NAICS code- 523210)
- IRS Topic 429
- NO Election to be an ‘Active Trader’

Cons:

- CANNOT have a W-2, other business or “Day job”
- DIFFICULT to qualify
- RISK – Audit and expenses disallowed

Active Trader Status WITH “Mark to Market Election”

PLUS...

- Ordinary Loss Treatment
- Wash Sale Rule DOES NOT apply
- Schedule C for business expenses
- Form 4797 for Gains and Losses
- All stock deemed “sold” as of 12/31
- Jan 1st “Stepped up basis” on all stock
- Long-Term Stocks can be held separately and deemed investments (“carve out”) Schedule D
- Election is made on a statement included on the preceding year’s tax-return (more to come)
- Does not apply to Cryptocurrency

Cons:

- Irrevocable, unless request approved by IRS in writing to revoke



ACTIVE TRADER STATUS “HOW TO QUALIFY”

To Qualify:

- Having an Entity doesn’t matter. The PERSON the must qualify.
- You must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation;
- Your activity must be substantial; and
- You must carry on the activity with continuity and regularity
- **BUT IF YOU MAKE the** Mark to Market Election it must be made by **April 15th** of the Tax Year in advance (Extension does not extend due date of election)...SO you can get Ordinary Loss Treatment and around the “Wash Sale”.



THE CHARITABLE REMAINDER TRUST

BENEFITS

- Sell the Property/Asset Tax Free (to build the “bucket”)
- Create Income ‘essentially’ guaranteed for LIFE
- Recognize an IMMEDIATE Charitable Tax Deduction
- Control the Investments inside the Trust
- Benefit a Charity
- Completely Asset Protection!
- No Estate Tax on Asset



DIAGRAM CRT STEPS HERE:

WHY WE LIKE THE CRUT (UNI-TRUST)

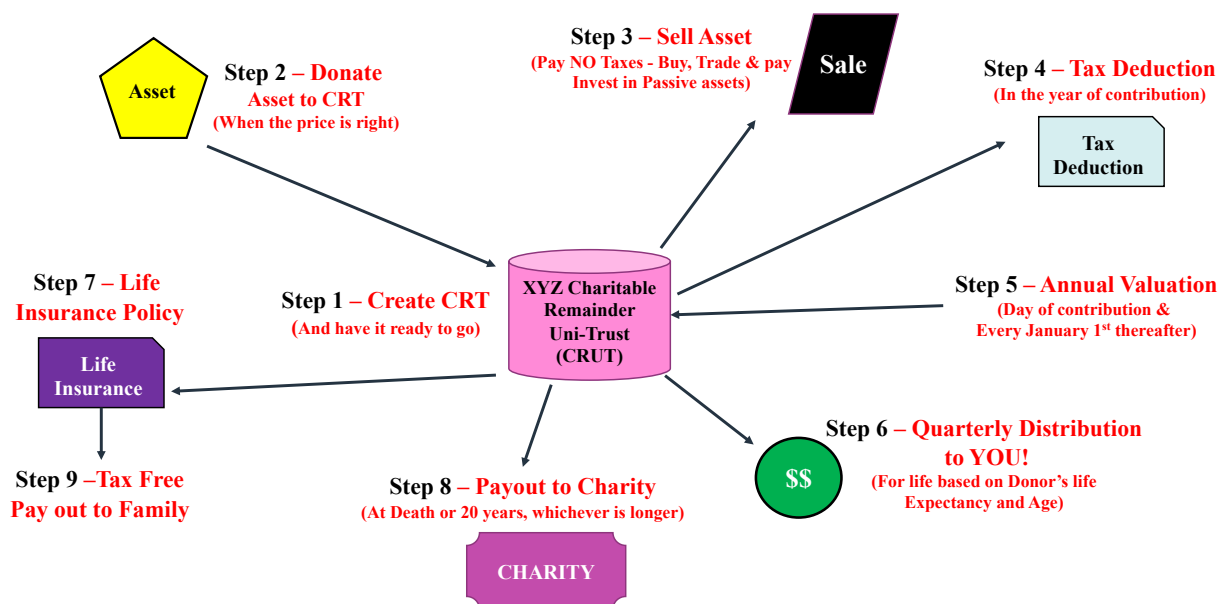
- YOU control the investments inside the Trust
- The income is NOT fixed, but the percentage IS
- Based on Your Age
- You can do a NIMCRUT / FLIP and 'delay' distributions, thus snowballing the principal in the Trust



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CRT Implementation – 9 General Steps



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DAY 2

SECTION 9: DEDUCTING MEDICAL EXPENSES

4 OPTIONS TO WRITE-OFF HEALTH CARE EXPENSES

Itemizing	Flexible Spending Account (FSA)	Health Savings Account (HSA)	Health Reimbursement Arrangement (HRA)
<p>97% of Americans That Itemize Phase out!!!</p> <p>Only write off Expenses OVER 7.5% of your AGI</p> <p>If you make 100k... THEN the First \$7,500 is NOT A write-off</p>	<ul style="list-style-type: none"> - Employee based - Use it or lose it - Typically, part of a cafeteria plan <p>2022 2023 \$2,850 \$3,050</p> <p>THE CORP EMPLOYEE</p>	<p>Annual Tax deductions into Health Savings Account</p> <p>2022: 2023: \$3,650 Individual \$3,850 \$7,300 Family \$7,750 * \$1000 catch up if 55-65</p> <ul style="list-style-type: none"> - Must maintain high ANNUAL deductible insurance policy (That's greater than \$1,400 single, \$2,800 family) (\$1,500 / \$3,000 in 2023) - Must utilize 3rd party admin - Fixed payments, balances carry forward. <p>THE HEALTHY</p>	<p>For the Small Business Owner an HRA can create a deduction for ALL medical Expenses.</p> <ul style="list-style-type: none"> - No Savings Account, but No deductible or certain insurance required - Self-administered and No limits for small business owners - Reimbursement procedure - Age 65 and over OK <p>HIGH EXPENSES</p>



#9/15 – Health Care Strategies - FSA

Flexible Spending Accounts

(Use it or Lose it!!)

(Turn in Receipts to your Employer
BEFORE December 31st)

\$2,850

Catch up...by March 15th know rules

2022 Year-End Strategy



HEALTH SAVINGS ACCOUNTS

GOOD

- Get a Tax Deduction in 2022 for all Medical Expenses \$7,300 (family) \$3,650 (Single).
- No more itemizing and losing deductions
- Use a debit card for your expenses
- Lower insurance premiums
- Have insurance plan for 'catastrophic illness/accident' occurs
- If you don't spend the money in the 'account' you can carry it forward for the rest of your life!! This is like a super-charged IRA!!!!
- Monies grow tax-free...and the money comes out TAX FREE (for health care)!!
- You can self-direct your HSA
- Free to set-up...set-up in minutes...local bank if you want
- **Fund up until April 15 of next Year...BUT the HSA must be set-up by Dec 1 this year**



HEALTH SAVINGS ACCOUNTS

DRAWBACKS

- MUST HAVE Higher deductible Health Insurance Plan
- You have to pay out of pocket for initial medical expenses
- If you have REALLY high medical expenses, you will burn through the HSA too quick and you might as well use the HRA
- Not available for NEW deductions if you are over 65 (but you can keep it growing to any age!)



#9/15 – Health Care Strategies - HSA

Choose the right insurance for an HSA
(Health Savings Account)

If you want the write-off in 2023, you have to have the
high deductible insurance before Deadline – Dec 15th.
(avoid ‘pro-rating’)

2022 Year-End Strategy



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MY PERSONAL HSA STRATEGY IS AS FOLLOWS:

HEALTH REIMBURSEMENT ARRANGEMENTS

GOOD

- Self Administered (but I recommend a TPA- Third Party Administrator)
- No Health Insurance Requirement
- Write off 100% off all medical expenses (over and above HSA amounts)
- Works great if you have more than \$4,000 in out of pocket medical expenses a year (over insurance)
- Great for the 'Unhealthy'
- No Limits for small business

DRAWBACKS

- No insurance if things get really bad OR you have to live with Medicare
- Need Family Management Co if married
- Need C-Corp if Single
- No Savings Account
- You have to have a Business



#9/15 – Health Care Strategies – HRA

Health Reimbursement Arrangements

(Adopt Plan effective 1/1/22)

(No Limit Reimbursements)

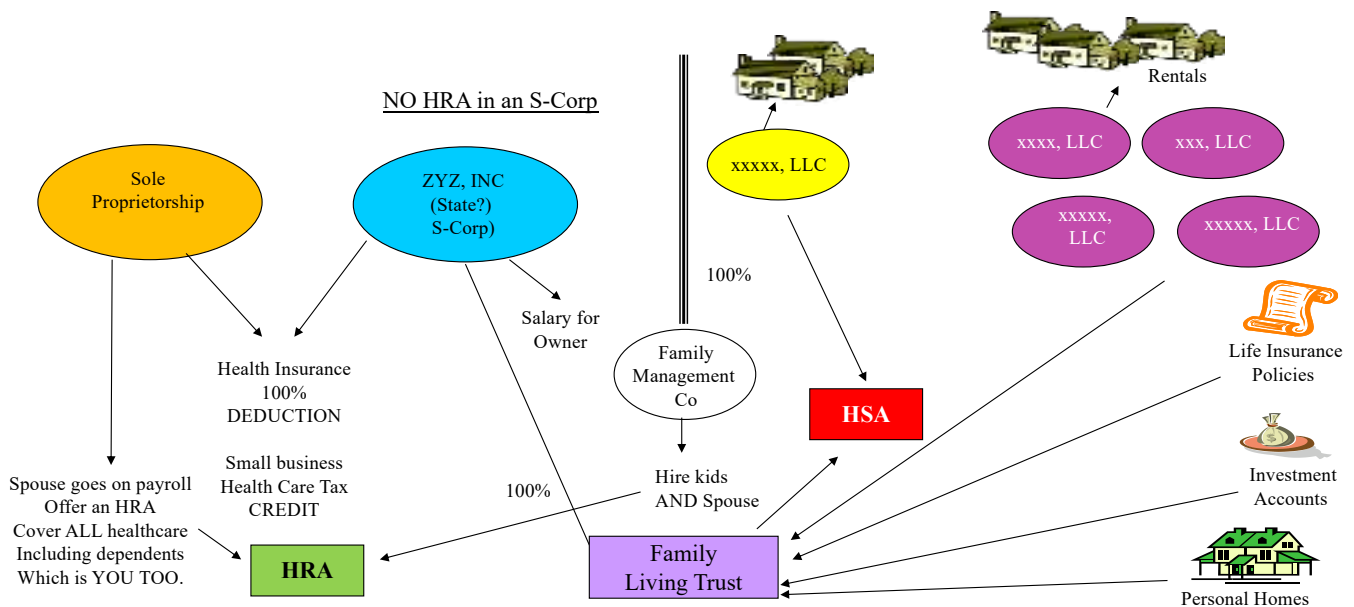
BUT...MUST DO Reimbursement by 12/31

(Do cost benefit analysis of paperwork)

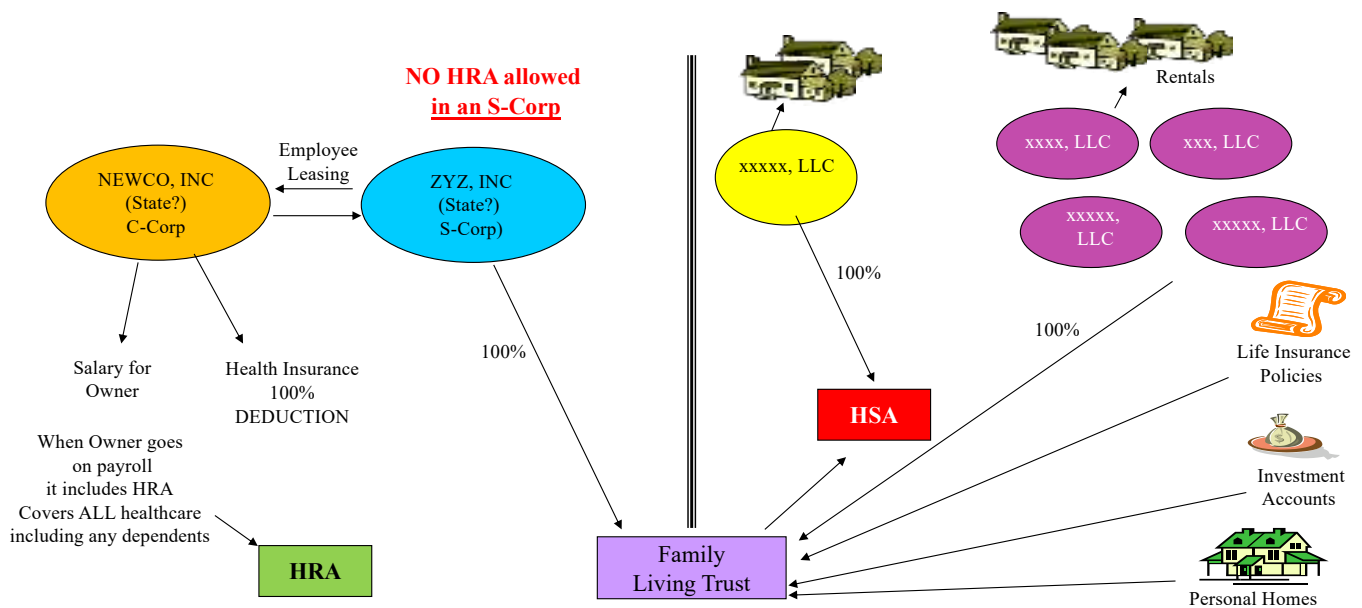
2022 Year-End Strategy



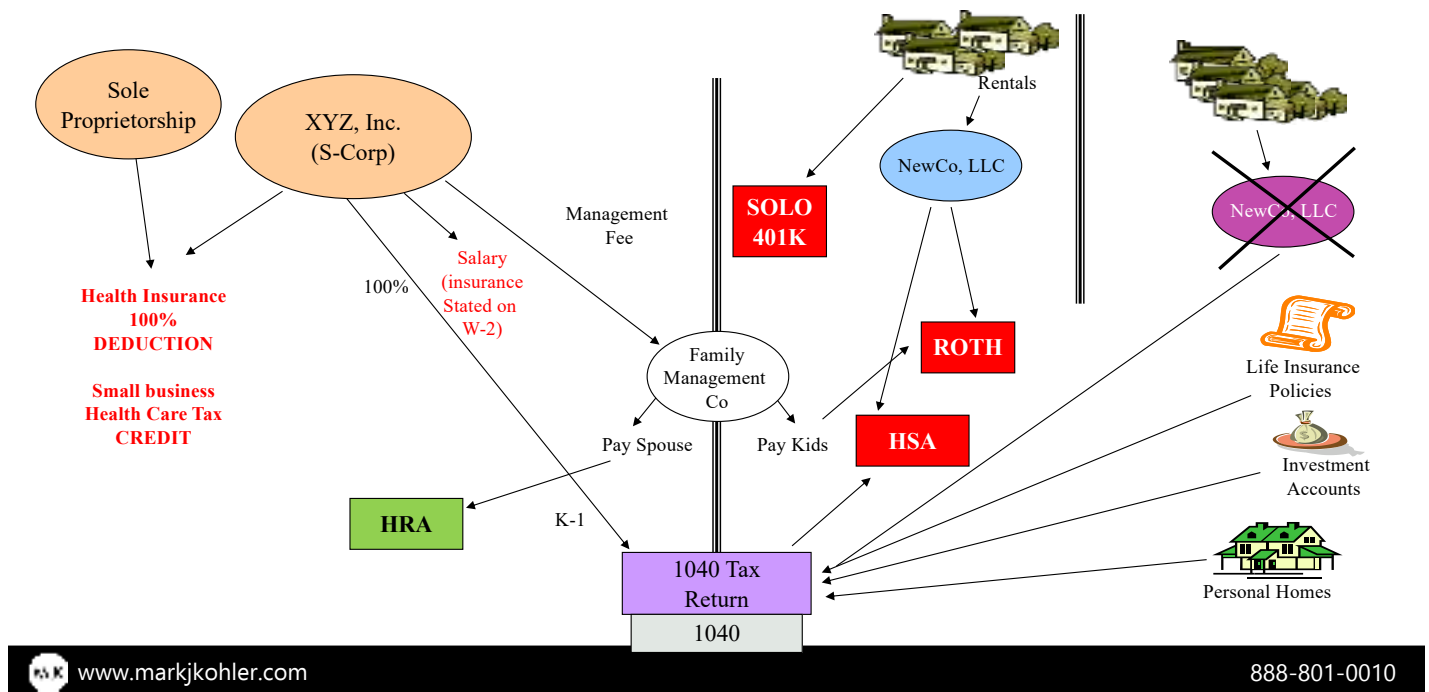
HRA – MARRIED STRATEGY



HRA – SINGLE STRATEGY



BRINGING HEALTH CARE EXPENSES TOGETHER



MY PERSONAL STRATEGY TO WRITE-OFF ALL MY MEDICAL EXPENSES IS AS FOLLOWS:

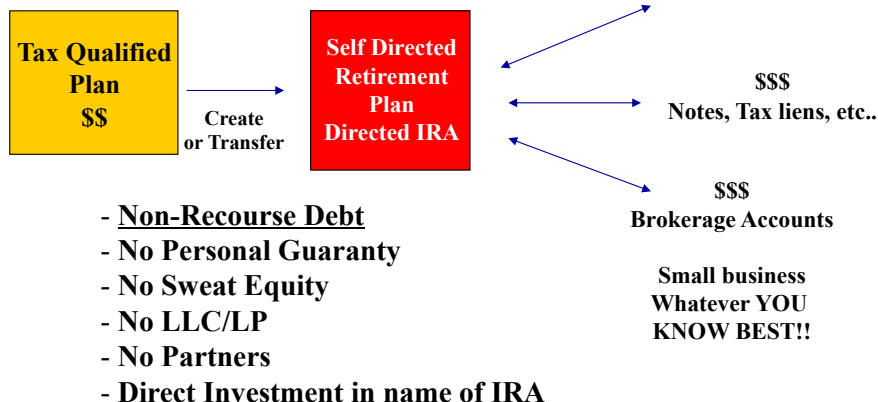
SELF-DIRECTED INVESTING

1. Real Estate
 2. Notes
 3. Tax Liens
 4. Crypto & Mining
 5. Franchises
 6. Small Business
 7. Super Bowl Tickets, gold, silver
 8. ANYTHING
- Except!! Collectibles
(wine, paintings, coins, etc...)



SDIRA STRUCTURING – OPTION 1

Get Started “Self Directing”



SDIRA STRUCTURING – ADVANCED OPTION

Use an IRA/LLC!!



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MY PERSONAL STRATEGY FOR SELF-DIRECTING IS AS FOLLOWS:

www.directedIRA.com
1-800-818-1322



www.directedira.com/podcast

www.sdirahandbook.com



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Top 15 Year-End Tax Strategies

- | | |
|---|---|
| 1. Get out of Start-up Mode | 9. Deducting Health Care Expenses <ul style="list-style-type: none">- HSA- HRA- FSA- Report Health Insurance |
| 2. Set-up or Dissolve entities by 1/1 | 10. Buy a Vehicle before 12/31 |
| 3. Retroactive S-Election for 2022 | 11. Purchase Equipment |
| 4. Establish your Payroll Level for 2022 | 12. Roth Conversion |
| 5. Hold Your Board Meeting | 13. Shift Income and Expenses |
| 6. Pay Your Kids <ul style="list-style-type: none">< 18≥ 18 | 14. Charitable Deductions |
| 7. Pay Your Spouse | 15. Get Your Books in Order ASAP |
| 8. Implement a Solo 401k | |



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THANK YOU!!