Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Retirement Plans:

Service Businesses Saving Taxes the Old Fashioned Way

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Okay, so you are in your 30s or your 40s. You've spent the last 10 years or so building up your business. Everything is going great. So why think about retirement now when it's a long way off?

One word….."TAXES"

While setting aside money for retirement has always had a long list of benefits, this year it could become even more advantageous with the new tax law. A lot has been said in the press about the new "20% business deduction" for those who run their own businesses. It's a great deduction for those businesses that qualify without exception, such as Manufacturer or Retailer.

What about the Service Industry? As we discussed in a previous blog, certain targeted services may not or will not qualify for the new deduction.

But what if you could make changes to ensure you do qualify?

Most people think there are only two ways these businesses can lower their taxes – make changes to their operational structure or make less money. Until the Service provides additional guidance, operational structure changes may not be advised.

However, there is a third alternative…. make less taxable income. Note the key words are "taxable income", not money.

This goal is met by deferring the recognition of income to a later time, preferably when the tax burden is less. The most common strategy uses a combination of different retirement plan vehicles to shelter a portion of the business' income from taxes while retaining the cash for the future.

Due to the diversity of the types and number of plans out there, careful and coordinated consideration of the benefits and costs of each type of plan must be made in conjunction with the business' tax projection and ultimate goals. Not just any plan or level of contribution will do.

But with the right set in place and the right amount of income deferral, a service business could achieve a double benefit by deferring the tax bill on the money saved ***and*** getting a permanent tax break on the remaining income by qualifying for the 20% deduction.

Working together as a team, Dopkins & Company and Dopkins Wealth Management* can assist you with achieving this goal.

For more information on this or any previous topic, please contact Victoria S. Carlin at vcarlin@dopkins.com.

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Victoria has over 25 years of experience in providing tax consulting, compliance and tax audit representation to closely held businesses and the owners of closely held businesses. She delivers a full range of tax services in covering federal and multi-state laws and regulations for partnerships, S and C corporations, and individuals.

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