

## Twitter Thread by Mitchell Baldridge



**Mitchell Baldridge**

[@baldridgecpa](#)



**Owning and operating a SMB is the best tax deal in America.**

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**Whether you have a \$10,000 side hustle or \$10MM enterprise, earning business income opens up amazing opportunities for tax savings and wealth creation.**

**Let's walk through how it works  
(thread below ■■)**

Expenses -

Business income opens up an opportunity that W-2 employees do not enjoy - bonafide business expenses.

Of course direct costs incurred are deductible, but many expenses exist in your life already. When you have business income you get to spend them before tax.

Most employees are running a no deductible office at home - now claim business phone bills, home office utilities, dues, travel, education and legal that you spend regardless.

The other deduction opportunity is business use of your personal assets including auto and home use.

Employment taxes -

Another great saving is employment taxes through and S-Corp and set salary.

Taxpayers are given the ability to bifurcate their employment from their ownership and pay a reasonable salary, often times saving thousands in employment taxes.

Benefits -

Also in a SMB the owner has ability to provide benefits including medical and retirement, particularly the business is a solo enterprise.

Medical reimbursement plans, SEPs, 401ks, DB Pensions offer potentially hundreds of thousands in tax savings & deferrals.

Business Assets -

There is also the opportunity to own your own real estate in your business or alongside (I have posted about this already).

Owning your RE direct in your business allows the expenses to be deductible and/or qualify for 199A

As well as business automobiles

Succession -

When it is time to retire, business owners have the ability to set up succession plans at tax favorable capital gains rates. Also you don't pay Medicare tax on certain sales.

Installment notes can stretch out income recognition and create a retirement annuity.

Other -

Many other ways to save are out there.

- Choosing your entity type, year end, accounting methods
- R&D credits
- Hiring your spouse/kids to work in your business

Just to name a few

Qualification -

This is only a brief overview of some the concepts.

The rules are complex, but greatly beneficial to taxpayers when properly applied. Dangerous when misapplied.

Seek qualified and experienced counsel in applying the principals, and enjoy the savings.