Twitter Thread by Patrick the Tax Advisor ■



Patrick the Tax Advisor ■
@AskForTaxAdvice



1) Every tax loophole I know.

No sales. Pure content.

If you appreciate my stuff, push this huge thread.

I’m tired of stalling at 9k.

If this group gets big enough, I could do so much more for you.

RT! Like! Tell your mother! Let’s go!!!

Thread

2) Pre-loopholes

Make sure tax is part of your wealth strategy.

How much of your income you keep matters even more than how much you make.

Tax is your largest expenses. Tattoo that on your wallet because it’s the truest thing you’ll read today.

3) Almost any expense can be deductible.

I’ve written threads on deducting your vacation. Even getting paid to go on vacation.

If you are speaking money and it relates to a profit motive, there is a good chance you can deduct it. Start capturing these expenses for analysis.

4) One of the easiest ways here - have a business reason you are taking your vacation. Maybe for a rental property. Maybe for a retreat. Maybe for recruiting.

It needs to be four house per day of your non travel days, but that isn't that hard.

5) Burn in your brain that paying more tax than you should doesn't make you a better person (or worse if you find ways to save).

6) "Any one may so arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury. There is not even a patriotic duty to increase one's taxes."

– Judge Learned Hand

7) One of the biggest ways to save is just by electing to have York LLC be taxed as an S Corporation.

It's simple to setup. Requires some maintenance (so does an LLC), but can save many of you $8k per year of tax.

8) Understand that the tax code is mostly just exceptions and the more you (or an advisor) understands it the less you will pay.

Section 61 of the tax code says basically any income in wealth you have is taxable. The other 10,000 pages of code/regulations is full of exceptions.

9) Deduct meals.

How much business gets done around a table, informally, while breaking bread?

A whole lot more than gets deducted.

If you ie a business and talk significant business while having a meal, why aren't you deducting the cost?

10) Family business.

If you have an unincorporated business and hire your children to get paid to do actual work there are three huge benefits:

1) No payroll tax on their pay saved 15.3%.
2) They are likely taxed in a lower bracket or not.
3) They can contribute to a ROTH IRA.

11) This means your child making $6k per year in your business for 18 years and putting it in a ROTH just for that 18 years, while never paying tax, could pull out $5,000,000 tax free at age 65, just on those contributions alone.

Whaaa????

12) Also, you got a tax deduction for paying them.

And yes, 1 years can get paid - think if you put them in your marketing materials, etc.

I'm not giving legal advice but child labor laws generally allow children of any age to work in a non-hazardous family business.

13) The 14 day rule.

You can rent your house out 14 days a year and not pay tax on the rents.

If you live in a cool place, why not rent your place out when you go on vacation and pocket it tax free?

14) Mileage

Drive your car for your business, charitable reasons, moving, or medical reasons?

How does 56, 14, or 16 cents per mile sound?

Maybe like not a lot, but...

15) ...if you are a flipper and drive 100 miles a week to various stores that's a $3k deduction that is probably saving you at least $1,200 in tax that year.

16) while we are on flipping so may of you pay sales tax on your flips and have no idea that you don't have to.

Can I get a witness @Kyle_Senes13 ?!

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17) If you buy goods to flip in the US, you do not have to pay sales tax.

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Even at Walmart, HD, Lowe's, etc.

Clear??

18) Depreciation

"Cost recovery."

You generally don't expense assets, but deduct them over their useful life.

There are ways to majorly accelerate this sometimes from 39 years to 1 year in the case of certain assets attached to real estate.

Cost segregation is the concept.

19) Deferral

Deferral doesn't always save you tax forever (it can if you combine) with other exceptions, but can save you tax for decades and create huge time value of money plays.

Deferral can be retirement accounts like a 401k or IRA where you save tax in and pay out.

20) It can be a 1031 exchange where you sell real estate at a gain, but then roll the proceeds into other real estate and don't pay tax until the second is sold.

You might never sell it and then your heirs don't have to pay tax on the gain.

21) Deferral of tax can be great, but permanently not paying tax is even better.

You can get this with income that isn't taxed like municipal bonds or distributions from a ROTH IRA or ROTH 401k

22) Another way to never pay tax is by building up the cash surrender value of a whole life insurance contract and taking a tax-free loan from it. This is quickly become a complete retirement strategy.

You can be your bank!

Can I get a witness @ChroniclesNate and @thegoswicks??

23) Back to family, make your parents minority owners in your business.

Gift them some shares of your S Corp (could be nontaxable).

If they have no other income, the profits would flow through to them at a lower rate.

You remain in control of the cash.

24) You could get a tax basis step up when you inherit the shares back from them someday.

If you were going to help them anyway, dividends go be part of their support.

25) Negotiate your property tax.

There are property tax credits on your personal residence that so many miss. Ask your county assessor if you are getting all credits you are entitled to.

Also, your property tax is based on an estimated value of your property.

26) Review this assessment to make sure it is a good estimate. Maybe it's too high for the current market or their is an error in the square footage.

Find $500-1,000k a year here.

27) Don't ignore estate tax. There is plenty of planning to do here through valuations, trusts, etc.

Don't save yourself taxed just to pass a huge bill to your heirs.

28) Diversify your geography

Get offshore and take advantage of the US FEIE rules and pay no tax on $100k+ of income in a paradise country with lower cost of living.

29) If US citizen, move to Puerto Rico and reduce your taxes from 40-60% down to 4%.

If US business, setup certain operations on a neighboring state with no income tax and cut your state taxes 50-90%.

30) If non-US, depending on your country, break residency and move to a free-trade zone (e.g., certain areas of Uruguay) or a non-tax country (e.g., the Cayman) and literally pay zero cash income tax.

Can I get a witness @lawrencekingyo ??

31) Legal Entity Structure

If you have decent profits and different types of business with a differing supplier and customer base AND you are doing everything out of the same legal entity, I can nearly guarantee you are way over paying your taxes.

32) Example

You make a product in County X that costs $100 to produce.

You sell it to your Cayman subsidiary for $100 leaving you with no income in County X.

Your Cayman sub sells it to your US company for $200, leaving $100 of income in the Cayman.

33) The Cayman doesn't have an income tax so all good.

Your US company sells to a customer for $200, the same it paid to the Cayman so no tax in the US.

So no tax PERIOD.

...but you typically can't actually do this and completed avoid tax...

34) But you can have your subsidiaries charge each other a reason price where your tax is significantly REDUCED!

There are many other ways to save tax by having an efficient legal entity structure.

35) Why do you think every major corporation had 100s to 10,000s of legal entities?

Yes for legal liability. Yes for efficiency in operations. Yes also tax efficiency is or should be a consideration when these business decisions are being made.

36) Use a health savings (or similar) account if you qualify.

Medical expenses are hard to deduct. Generally need to exceed 7.5% of your income.

A HSA savings account gives you a deduction going on and no tax on earnings or spending it on medical expenses. Loophole!

37) roth, Roth, ROTH!!!

No deduction going in, but no tax on growth or out.

Literally you can put $6k in per year for 18 years = $108k and pull out $5,000,000 tax free at year 65 at reasonable growth rates?????

You can trade inside a Roth and never pay tax.

ROTH!

38) Covert ordinary to capital gains.

Why is Warren Buffets tax rate lower than his paid staff?

All his income (dividends and capital gains and carried interest) is taxed at preferential rates.

You can get there too depending how your participate in/structure your business.

39) Real estate, real estate, real estate!

Like kind exchanges,
Depreciation,
Capital gains,
Passive income,
Basis step ups,
Federal enterprise zones,
Local TIF planning,
Energy credits,
$250k gain exemption,
There is more but this tweet is almost saturated with tax savings. ■

40) Qualify as a pro and deduct more:

If you trade stocks, etc, qualify as a professional and deduct more losses.

If you invest in real estate, qualify as a professional and deduct more losses.

If you gamble already, qualify as a professional and deduct more losses.

41) Win audits

If you make enough money, you might get audited some day.

Just because a tax authority asks you some questions or even concludes you owe more tax, it doesn't mean they are right.

I've spend a chunk of my career negotiating with tax authorities.

42) have good books AND

Talk to a pro in these scenarios and run a cost benefit analysis.

Tax authority says I owe $10k.

Patrick says I don't and his fees are $3k.

If I argue it myself it will be free, but I might end up paying $7k.

Etc.

Win audits. Don't roll easy.

43) Find a tax advisor that does tax planning.

Not all do.

For may it's an afterthought.

If you are making good money, connect with the right professionals.

Your friend for college or your cousin may do you taxes.

44) Tax is your biggest expense.

Don't leave it up to your friend form college or your cousin.

They probably don't know what to do beyond filing a return and may not even be good at that.

If you are making decent money, get a LEGIT tax advisor to the table.

45) Are there other ways to save tax?

Sure, but my thumbs are tired and this is enough to think on for now.

I just invested several hours to save you a bunch of money.

Show me (and your friends) some love by RTing and liking tweet #1 above.

DM me with questions.