



HOW TO PAY LESS TAXES

Owner-operators will discover important deductions and commonly overlooked expenses that can lower tax liability.



INTRODUCTION

Almost all owner-operators can take steps to significantly reduce the amount of money they hand over to the Internal Revenue Service (IRS) every year. However, without in-depth knowledge of tax code, many pay more than they have to. To achieve business success, maximizing tax deductions while remaining tax compliant is key.

“How to Pay Less Taxes” will reveal important deductions and commonly overlooked expenses that can significantly reduce your tax burden. Discover how the smartest owner-operators employ top tax strategies to pay less tax.



ATBS prepares more than 14,000 tax returns a year. They consult with owner-operators year-round to ensure their tax strategies are carefully and intelligently constructed. The knowledge and expertise from ATBS tax experts has been utilized to bring you this eBook.

AUTHOR BIO

Andy Erwin started at ATBS in March 2001. He began his career at ATBS as a business consultant and was soon promoted to group lead, working with the Fastruck Program. Andy was the manager of the business consulting group until September 2012. He is now the manager of the Tax Department.

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Access Andy's bio online [here](#).

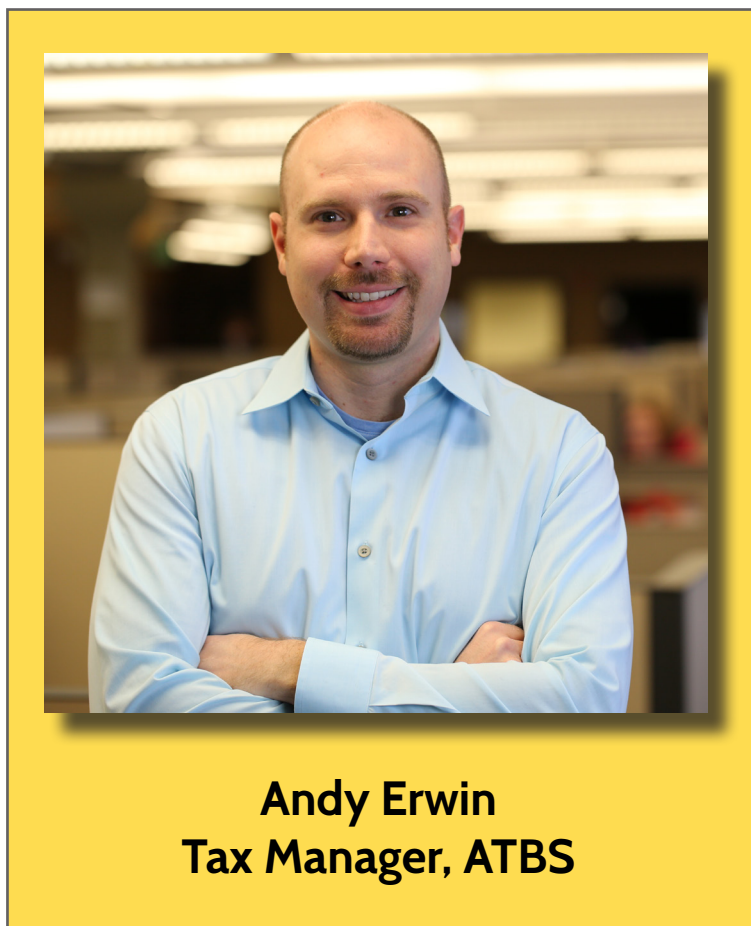


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CH 1: YOUR TAX LIABILITY

Quarterly Tax Estimates

Before we explain how to reduce your tax burden, it is important to understand what taxes you are legally liable for. As an owner-operator, you are responsible for paying taxes and calculating your net profit. The IRS requires you to estimate the profits of your business and make quarterly estimated tax payments. They will also penalize you for not making these payments.

Your quarterly payments include self-employment tax, federal, and state income tax. The self employment tax equates to the social security and medicare withholdings paid through a company for employees.



Use Form 1040-ES, Estimated Tax for Individuals, which contains tax vouchers. This section can be found on page 9 of Form 1040-ES.

CH 1: YOUR TAX LIABILITY

Employee Taxes

Do you have employees for your trucking business? If so, you must collect taxes on behalf of your employees including:

- Social security
- Medicare
- Federal and state income tax



The amount of taxes to withhold from each employee's wages can be calculated from their Form W-4 and should be sent to the federal and state government quarterly.

You must also pay federal unemployment taxes (FUTA) if your business has employees. This tax helps provide compensation to workers who have lost their job. FUTA is calculated and paid separately from social security, medicare, and federal income tax. (Ask your tax expert to see if you qualify for a FUTA tax deduction.)

CH 1: YOUR TAX LIABILITY

Estimating Quarterly Taxes

How can you estimate your taxes owed each quarter? There are two common methods for estimating tax:

- **Safe harbor.** This method requires you to divide your prior year tax liability by four to calculate the quarterly tax estimate.
- **Actual income.** This method is useful for those with a fluctuating income. Calculate your quarterly income and pay based on this amount.



For new independent contractors, it is recommended to use the actual income method for estimating quarterly taxes.

The safe harbor method should not be used unless your business income is consistent month-to-month. Having inaccurate quarterly tax estimates mean you will pay more or less than what is actually owed.

CH 1: YOUR TAX LIABILITY

Additional Taxes

It is imperative to know the complexities of the laws surrounding these additional taxes:

- Excise taxes
- Gross receipts taxes
- Sales tax
- Franchise taxes

A business service provider, such as ATBS, can help you follow the laws of these additional taxes and make sure you stay compliant.



“For the past two years I have been working with ATBS to do my business taxes and they have never steered me wrong... There are several CPA’s out there, but ATBS really knows about owner-operator tax laws. In my opinion, they are a *great company that works for you.*”

Marty Reed, Independent Contractor

CH 1: YOUR TAX LIABILITY

Excise Taxes

Excise taxes are considered an indirect taxation form because the government does not directly apply the tax. And intermediary, either the producer or merchant, is charged and then must pay the tax to the government.



Purchases made on specific types of consumables or goods (such as fuel) and certain activities (such as a truck using a highway) are subject to excise taxes.

Excise taxes are charged if the business:

- Manufactures/sells certain products
- Operates certain types of businesses
- Uses certain kinds of equipment/facilities/products
- Receives payment for certain services

CH 1: YOUR TAX LIABILITY

Property Taxes

Property taxes are due if you own property or real estate and it must be paid to the local government.

Gross Receipts Taxes

Gross receipts taxes are imposed by some states on businesses instead of a state income tax. In these states, gross receipts (revenues) of the business are taxed.



Some states allow deductions for gross receipts taxes and some states exempt certain types of businesses. Contact your state and local government to see if you are responsible for this tax and if a deduction is applicable.

Franchise Tax

Franchise tax can be charged by states for corporations based on type of business structure. Each state that charges a franchise tax has their own method of calculating the tax.

CH 1: YOUR TAX LIABILITY

Tax Calendar

Put time aside on your calendar each quarter to work through tax estimates. Do not wait until the last minute as penalties can apply.

If you work with a business services provider, such as ATBS, they will provide a quarterly tax estimate for you available online for easy downloading. Plus, ATBS calculates tax estimates based on actual income .



Click below to download your free copy of ATBS' 2014 Tax Calendar. This tax calendar contains helpful reminders of year-round tax deadlines

[Click to Download
ATBS' Tax Calendar!](#)

CH 1: YOUR TAX LIABILITY

Choosing a Business Service Provider

Who is currently preparing the taxes for your business?

- A non-specialized provider [such as TurboTax or H&R block]
- A family member or yourself
- A local accountant or CPA

If you are using any of the options above, you are likely paying more taxes than you need to. Ever-changing tax laws make it hard for any business owner to understand and accurately pay taxes. Maximizing deductions to reduce tax burden starts with choosing a *specialized business provider* for your industry.



A provider, like ATBS, can help manage your books and play a significant role in preparing tax estimates to lower your liability. Call 866-920-2827 or email tax@atbsshow.com to get started on your 2013 tax return!

CH 2: COMMON DEDUCTIONS

Tax Deductions to Lower Liability

Minimize tax liability by claiming every legal deduction and credit available. Understanding and recording all the deductions and credits appropriately (see Chapter 4: Successful Bookkeeping) will help you avoid penalties, reduce the risk of an audit, and minimize the amount you have to pay.

Independent contractors can legally take any of these tax deductions or credits:



Click the button below to download an expansive list with over 100 tax deductions and credits.

[Download List!](#)

CH 2: COMMON DEDUCTIONS

Tax Deductions.

Tax deductions can translate to a significant lowering of tax liability. Below are the common tax deductions that can make a significant difference on your tax return:

- **Health insurance deduction.** The money spent on health insurance premiums may be fully or partially deductible on your income tax.
- **Software and subscriptions.** Previously, a business had to depreciate the cost of computer software over five years. Now with the Section 179 Deduction, off-the-shelf software can be fully expensed in the year purchased. The total costs of business and industry related magazine subscriptions can be taken as a full deduction in the year spent.
- **Personal vehicle miles.** You cannot deduct mileage on your personal vehicle to and from work, but you can deduct it if you make a business related trip to the bank, tradeshow, or even the post office.



Keep a log of the date, mileage, and purpose of each business trip. The rate for business use of your car is \$.56 for 2014. [Click here](#) for ATBS's infographic on the 2014 Standard Mileage Rates.

CH 3: MUST HAVE TAX CREDITS

Tax Credits.

Tax credits can also translate to a significant reducing of your tax liability. Below are tax credits that can make a significant impact on your bottom line:

- **American opportunity credit.** This credit can reduce tax liability up to \$2,500 for each child in college as long as the adjusted gross income is less than \$80,000 if single, and \$160,000 if filing jointly. Talk to your tax professional for more details on how to qualify for this credit.
- **Earned income tax credit (EITC).** This supplements wages for low-to-moderate income workers.
- **Child-care and dependent tax credit.** To qualify for this credit, a child must be less than 13 years old or a disabled dependent, and someone other than a spouse or a dependent is paid to care for them. Both parents must be working, be a full time student, disabled, or actively looking for a job to qualify.



Be prepared to answer several questions with your tax professional to take the EITC. This fantastic credit could save you thousands of dollars but will require sharing some personal information to determine eligibility.

CH 4: SUCCESSFUL BOOKKEEPING

Bookkeeping Tips.

Good bookkeeping is important for adhering to tax deadlines and employing successful tax filing. Bookkeeping records should include all financial transactions for your business. Follow these bookkeeping tips:

- **Calculate revenue.** Revenue is used to calculate profit and taxes due.
- **Record and calculate expenses.** Save all business receipts and record business expenses regularly. Keep all tax related paperwork, tax forms, and documentation organized in a filing system. Scanning tax documents will help preserve them over time and makes them easily accessible to prepare quarterly and year-end taxes.



Good business records will help you compile a monthly Profit and Loss (P&L) Statement, which is your road map for success!

CH 4: SUCCESSFUL BOOKKEEPING

Bookkeeping Tips.

- **Know your profit.** Profit can be used to determine tax liability. Add expenses and deduct this from the revenue to determine profit.

(Gross income - allowable business expenses = net profit)

- **Know the IRS statute of limitations.** The IRS usually grants three years to challenge a deduction or income on your return by requesting an audit. If a return is found to be fraudulent with the intent to evade taxes, there is gross negligence. If no return is filed, there is no statute of limitations and action can be brought anytime.



ATBS recommends to save your bookkeeping records for at least *five to six years*. This documentation can help you in case of an audit by the IRS.

CH 5: SUCCESSFUL TAX STRATEGIES

Track Business Progress.

Business goals are set when preparing a profit plan (a.k.a. budget). A P&L Statement can be used to compare goals to actual performance.

By measuring monthly revenue against your profit plan or budget, areas of success or areas for improvement are shown. This information can be used to determine if any changes should be made to meet short-term and long-term business goals. Identified and accounted revenue and business expenses can be used to prepare both estimated and end-of-year taxes.



Using a business service provider, such as ATBS, who prepares your monthly P&L as well as your state and federal taxes can translate to an easy and seamless tax preparation process.

*Download the ATBS
Tax Organizer!*

CH 5: SUCCESSFUL TAX STRATEGIES

Audit Proof Your Business.

Tax deductions are only allowed if documentation can be provided to support the claims on the return. Without supporting documents, the IRS might disallow the deductions and charge interest and penalties for not supporting the claim.



Keep receipts, cancelled checks, log books, and other valid proof of payments for a minimum of three years.

CH 5: SUCCESSFUL TAX STRATEGIES

Employ Family Members.

If you are looking for trustworthy, reliable employees, hiring your spouse or children can give you the following tax benefits:

- **Retirement contribution deduction.** If you have an S Corp, your company can deduct contributions made to a qualified retirement plan on your spouse's behalf. You can deduct up to 100% of compensation of \$50,000, whichever is less. On a 401(k) plan, your spouse can defer up to \$17,500 to the plan or \$23,000 if age 50 or older. . The company can match contributions in whole or in part up to the limits set by tax law.
- **Travel expenses.** If your spouse is an employee of your business and accompanies you for a business reason, you can deduct their travel costs and 50% of meal costs.



Truck drivers who drive on a team with a spouse can claim per diem for the spouse's meals, which is 80% of \$59/day. [Click here](#) for more information on per diem.

CH 5: SUCCESSFUL TAX STRATEGIES

Employ Family Members.

- **Health care.** If you are paying for your spouse and/or dependents under your company health care plan, generally your company can deduct the insurance costs. Ask your tax professional for more details on how to use this deduction.



The Affordable Care Act affects every American. Many may qualify for a Premium Tax Credit. For further information and to see what you may qualify for, go to the federal website healthcare.gov.

- **Child wages deduction.** Hiring your children to do easy tasks will give your business a tax deduction for their wages. Pay children with a check, issue them the appropriate tax form, and create a job description for them to claim this deduction.

CH 5: SUCCESSFUL TAX STRATEGIES

Choosing a Business Structure.

Business forms have their advantages and disadvantages and one may work better than another for your business. Setting up a business structure could result in significant tax savings. Here are the most common ways to set up a business:

- Sole Proprietor
- Partnership
- C Corporation (C Corp.)
- S Corporation (S Corp.)
- Limited Liability Company (LLC)
- Limited Liability Partnership (LLP)

ATBS usually recommends independent contractors set up their business as an LLC and file taxes as an S Corp.



Seeking competent legal and tax advice is strongly recommended before making a decision on what legal form works best for you. Read our eBook “How to Decide Which Business Structure is Right for Your Business” or call 866-920-2827 to speak with a business consultant who can answer your questions on this business decision.

CH 6: CONCLUSION

Paying Less Taxes Starts with You!

Tax burden can make or break your business. Remember, good planning and record keeping can help reduce tax liability. With the help of a tax professional and utilizing the tax strategies as discussed in this eBook, you will be able to lower your tax liability, and meet your short and long-term business goals.

Your selection of a business service provider is also an important step to ensure you are not paying more taxes than you have to. Make sure your business service provider is specialized in handling taxes for independent contractors in your industry to ensure you are getting every legal tax deduction you deserve!



Team Run Smart members receive a 5% discount off retail pricing for ATBS' Standard Business Services. [Click here](#) to learn more.