1. Tax Advisory Tuesday Q & A | September 6, 2022 - YouTube

<https://www.youtube.com/watch?v=Jgsgwg_vgXU>

Transcript:

hello everyone good morning and good afternoon uh Welcome to our ask a Tax Advisor live q a session it is Tuesday September 6th and we are looking forward to speaking with you today about small business income taxes I have a very few quick housekeeping items before we dive into today's session it is being recorded so please um keep an eye out on your inbox we'll be emailing out that recording that will be sent to the email that you used to register for today's event and you can use that to watch uh if you want to

re-watch the answers that were provided to you you can certainly do so by jumping into that email and viewing that recording feel free to use the chat feature here in Zoom just be sure to change the setting to panelists and attendees so everyone can see your comments but with that in mind when using the chat um uh just be mindful not to share any personal or financial information that you wouldn't want included or discussed in this video recording and then that's going to be shared publicly with others

so keep that in mind but we will be taking your questions via the Q a button which is at the bottom of your Zoom screen in your Zoom panel you're able to you you're able to submit your questions at any time now we're going to be answering them on a first come first serve basis so uh feel free to submit your questions uh before we really dive in here and then we'll um we'll be answering them in just a couple minutes time let me introduce myself my name is Allison I work here at bench I produce

all kinds of helpful resources and small business guides that are available on the bench blog and that found at bench.co forward slash blog so check those out if you haven't already so let's get into a quick overview of what bench is in case you're not familiar bench is America's largest full service bookkeeping solution for small businesses so we pair you with our in-house expert bookkeepers to get your books up to date and compliant with IRS standards and if you ever have questions about running your business that go even

beyond the scope of your bookkeeping our bookkeepers are actually backed by our client research team and they are a team who are able to provide you with informed answers to complex business questions that even go beyond the scope of your books or bookkeeping um and so what does bookkeeping look like here at bench uh every month your bench bookkeeper organizes your business transactions and prepares financial statements and this makes it easy to stay on top of your finances and track the health of your business month over

month if your bookkeeper ever needs anything from you they will get in touch with you but if you ever have a question for them you can easily book a call with them or reach out to them via messages feed inside of our platform then at tax time we prepare what we call our year-end Financial package and so that package can be used by your accountant to file your taxes for you if they're the one doing that or you can use this package to file your own taxes if that's how if if you file your own taxes but we can also take tax filing

off of your plate if it's not a task you enjoy doing we can certainly take that off your hands and take care of that for you and so our tax support is uh actually uh uh granted from a whole team of uh tax uh uh members here at bench so we've got uh the tax coordinator who works with your bookkeeper the tax preparer and our tax advisors uh who have got to joining me today uh and so everyone works together with your bookkeeper to get you filed ahead of the tax deadlines and this tax support isn't just limited to tax time

our tax advisors like Mark and Kamia who've joined me today are actually on hand year round uh for an uh unlimited tax advisory consultations and so what is unlimited tax advisory so basically when you're a bench client and you're subscribed to our premium package which includes bookkeeping and tax support um you can book an unlimited number of calls with your Tax Advisor and these calls can last for anywhere up to an hour and during that time they'll familiarize themselves with your finances get to know a little bit more

about your business answer any specific questions that you have but most importantly they're going to answer they're going to be able to provide you with informed answers and guidance that's tailored specifically to your business and they're going to educate you on methods to reduce your future income taxes as well which is for many businesses this is your largest expense so uh you know really beneficial to get this uh expense optimized and reduced as much as possible and again this service is available to

you year round any time of the year not just during tax season so uh why don't we go ahead and meet our tax advisors we've got Kamia and Mark I'll let you go ahead and introduce yourselves hi good afternoon good morning um Camille Franklin enrolled agent I'm uh from Detroit Michigan I work directly with bench as an employee um just a little bit about uh enroll agents enroll agents are licensed uh via the IRS and are able to practice over 50 states similar to a CPA where CPA uh is licensed through their state and they

handle a wide array of things versus us are do more tax related things so it's nice to meet everyone and I've been here maybe about a year and a half sure and my name is Mark as Allison as I mentioned I'm a CPA um I've been at bench for just about as long as Kamia has um and Ben SCP for a little bit longer than that um welcome and happy to see you all here today wonderful thank you Korean Mark okay so just a reminder you can submit your questions via the Q a button at the bottom of your Zoom screen there's a

panel there at the bottom and there's a q a button which you can submit your questions there and we'll answer them um on a first come first serve basis so we'll Dive Right In we've got a question from Alexia and I'll read this out here so I'm a freelance illustrator who works from home in a dedicated home office room I'm trying to figure out my quarterly business expenses for my estimated taxes uh that deadline of course is coming up on September 15th um in counting up all my expenses to

determine my taxable income can I add my home office deduction slash business percentage of the room to my quarterly business expenses or can I only add the deduction when I do my annual taxes that's a great question okay yeah that's a great question well I mean if you wanted to you could keep track of that I do know that some of our bench bookkeepers if you give them um your information they do keep track of it if you're a bench employed but what it is um home office expenses first they have to be

um you know the room that you use have to be exclusive so you shouldn't do any other work uh or uh personal type things in that same area that you do that's not to say that um like if you have one room um and you do more than one thing in that room like as long as you have that air the area of the room and correct me if I'm wrong if you have one area of the room then you can use that specific area um as expenses or you can choose to do what they call um they have a standard uh that they've allowed you to do now where you can do

five dollars per square foot up to 300 uh square feet and so that equals fifteen hundred dollars a year so if you wanted to go that as a benchmark you could use that now one other thing I wanted to say is uh home office expenses um become carryovers if you don't have a profit at the end of the year so um keep that in mind because that may um change you know how the the deductibility of that home office expense yeah and the excellent information there and with regards to estimating your you know quarterly taxes

you know you could you know take an estimate of what you think it's going to be and and throw it in there I I you know I don't think it's necessarily something that you need to get down to the you know the dollar um with all your exact tax you know or your taxable income is going to be when you know figuring out estimates it's okay to to rounding or to do estimations that's what we would do as professionals too so I I guess my advice would be don't beat yourself up over it if it's you know

tough to figure out or you know not just complicated to figure out you could go ahead and go without it and then you know figure it out when you're filing your taxes and and reconcile it there okay great Lexi we hope that answers your question uh the next question oh yeah great uh okay uh Umesh says I have opened an LLC recently I'm expecting to make around 100k this year as profit can I invest this 100K to purchase a property instead of a car Section 179 what are the benefits sure I'll take this one

um so I mean you can use that money to do whatever you want with it it's your money right it's your business um you know tax benefit wise you know a car you can't always write off the entire month you know a lot of cases you can obviously you can only write off whatever business portion it is and then sometimes it's limited by you know a certain amounts even though 179 um if it's you know in certain classes of vehicles um so if you're put you know alternatively if you're looking to

purchase property I I assume you're talking you know real property like like a rental maybe or a building um those don't necessarily have the same familiar tax write-offs that purchasing like a car would have um typically you know if it's land you know you don't really get to write that off at all you get to keep the the basis amount which is what you pay for and use that you know against whatever you end up selling it for uh to determine your gain or loss but you don't get to write that off as you go you know like you

don't get to depreciate land um for rental real estate or for um you know commercial real estate if that's what you're looking at you can recapture those over 27 and a half years and 32 years I think or 31 years or sorry can you guys at 30. I think 37 years actually yeah okay yeah yeah anyways a long period of time um which essentially you get to divide the the cost of that real estate whether it's residential or commercial by you know either 27 and a half or I believe 39.

39 years yeah you get to recuperate that amount in depreciation every year that it's in service so you know purchasing a real estate for a hundred thousand dollars you likely only get a small fraction of that as a write-off for the current year so it wouldn't necessarily get rid of much tax liability or tax obligations uh does that did that make sense come here yeah I mean the only other thing I would say is um like he was saying okay so you're going to depreciate whatever that percentage is for the 39 over the 39

year period you know that year so but the rest of it it becomes an asset you know the property becomes an asset of the business if it's in the your business name and so uh you know that could be beneficial if you're trying to um get some type of valuation or if you're trying to you know prove the value of the business so I mean it does help you in that sense you know not saving on taxes per se you know but if it's cash flow like if it's cash flow looking forward and you're expecting cash flow from this you know then it's a

business decision rather than a tax decision right if if you're going to buy a rent a property and it's you know gonna make you money maybe that's what you want to do rather than trying to save taxes by you know buying something that's going to get your write-off right you can still get the write-off um yeah over the depreciation over time over 39 years so if something is this is just simply you know if something is a hundred thousand dollars you know basis you divide that by 39 and then whatever

that number is is your is what you get as the write-off for that year versus um you know here her currently if you do a vehicle because of the new um bonus depreciation rules and things like that because of covet and tax cuts and jobs act and things like that they are allowing you to do more uh take more of a depreciation for a car because you know the um the year um the depreciation year that you can claim for occurs only five so obviously if you're spending sixty thousand dollars on a car over five years that

first of all is more and now they'll let you take more all in one year so what we're saying is the residential uh residential commercial or property in itself is a different type a different class of uh property and so that has a longer range that you can write it off for so that's awesome exactly and yeah we're seeing this all with the the caveat that you know these are business use you know property or business use car right if it's a personal car you don't get right off at all right that

would be a distribution from your LLC to yourself um you know a personal property same deal you know so you don't it needs to be business use in order to get you know a tax benefit for it okay um and I think so uh Amish I hope we've cleared that up but uh he did add a an additional comment here so are you saying because the car is depreciating asset but a single home residential is appreciating so I don't get it right off but so depreciation for you know tax purposes is different than whether something gains or loses value which we

talk about you know depreciation or appreciation that's a kind of a separate concept than tax depreciation text appreciation is recuperating the cost of something used in your business which you know for a vehicle you do over five years or you can accelerate that into the first year for a residential rental property you can do it over 28 and a half years you know that residential rental probably is going to last longer than that but that's what the IRS allows you to take that depreciation you know at that rate so you still you still get

depreciation for like a residential rental um but it's at a much lower rate you get it over 2 27 and a half years rather than either five years or all up in front for for a vehicle great hopefully we've answered that for you um and that looks like that's all the questions we have right now uh we'll give um those in attendance just a couple more minutes if you'd like to submit your question again a reminder you can do so via the Q a button at the bottom of your Zoom screen and we'll be happy to answer your

questions um oh okay umish has another question here if I purchase a car less than six thousand pounds okay so this might be um outside of the U.S how does the tax write-off work oh no he's probably talking about the weight of the car okay that's okay you can still take a depreciation for it like I was saying his useful life of a vehicle is uh you know generally five years unless you choose to do some type of bonus depreciation or Section 179 I mean there are bonus depreciation things written into the law now it's just not the whole

entire uh amount unless it you know they have those special um specifications for vehicles that are considered heavy which is the six thousand pound thing so um um and I believe it's 25 000 is the is the um max I would have to look that up but I believe the max would be like 25 000.

you can get your regular um depreciation whatever the amount is uh over the five-year period depending on how much the vehicle is worth or how much your base is in the vehicle is and then you could get some bonus depreciation based on you know the value of the vehicle once you've already taken um up to I believe is twenty five thousand dollars yeah I think the total of both those maybe is capped at like the 25 000.

yeah so you can get more but um it's just not as much as it's you know because they they have they've written some special things in to try to stimulate the economy and to try to get people you know relief because of covert and stuff like that so um so yeah you still get a deduction and still accelerated sometimes it's just limited and it might you know fall over a couple of years rather than all up front you know all the front yeah okay great well I learned things every week here I didn't realize the weight comes into it okay

um all right um uh yeah if there's any further questions I see some uh people have joined us a bit late so again you can submit your questions uh using that q a button at the bottom of your Zoom screen um uh but uh maybe for now I'll just jump ahead and um uh just walk you through um you know if you're interested in receiving Services you know like um what we're kind of going through today here but on an unlimited basis where you could you know speak with someone like Kamia or Mark um uh throughout the whole year uh to

help you you know optimize uh your income taxes and answer all these questions that you have about all these nuances to do with with taxes um you can give bunch of a free try we have a no commitment trial where we actually complete a prior month of your bookkeeping within just one business day and we provide you with a set of financial statements to keep and this allows you to quickly see if bench is the right fit for your bookkeeping and tax needs before you make a decision um and so I'll just wrap things up by

saying if you found today's session helpful please share our website with a fellow business owner who you think might also benefit from getting their small business income tax questions answered by our experts here we would love to meet them and see how we can help so thanks again everyone for uh joining us today and for uh submitting your questions and we hope you enjoy the rest of your day bye