

Tax Strategy for Entrepreneurs — Workbook

This workbook turns the course into action. Each section maps to a course module and combines exercises, fill-in worksheets, and checklists so you build a real, documented tax plan as you go. Work through it with your latest bank statements and last year's tax return nearby, and keep the completed templates as your year-round tax file.

Choosing Your Entity and Getting Set Up

Decide how your business should be taxed and complete the formation steps in the right order.

Exercise: Run Your S Corp Break-Even

Use your projected net profit to test whether an S corporation election would save you money this year. Compare the self-employment tax you would pay as a sole proprietor against the payroll tax on a reasonable salary, then subtract the added compliance cost.

- What is your realistic net profit (revenue minus expenses) for the year?

- What reasonable salary could you defend for your role, based on Bureau of Labor Statistics or Glassdoor data?

- Sole-prop SE tax (net profit x 0.9235 x 15.3%) minus S corp payroll tax on salary minus ~\$2,000 compliance cost — is the result a clear, comfortable saving?

- Does your profit reliably clear the ~\$50,000-\$80,000 zone where the election usually starts paying off?

Worksheet: Entity Decision Worksheet

Fill in each field to document your entity choice and the reasoning, so you can revisit it as the business grows. Current legal structure (sole prop / LLC / corporation)

Current tax treatment (Schedule C / partnership / S corp / C corp)

Projected net profit this year

Defensible reasonable salary if electing S corp

Estimated annual tax saving from S election

Estimated added compliance cost (payroll + extra return)

Decision and effective date

Form 2553 filing deadline (within 2 months 15 days of tax-year start)

Checklist: Formation and Setup Checklist

- Registered the entity with the Secretary of State
- Obtained an EIN free at IRS.gov (did not pay a third party)
- Filed Form 2553 if electing S corp status (within the deadline)
- Opened a dedicated business checking account
- Opened a separate business credit card
- Registered for state sales tax and payroll accounts as needed
- Recorded the March 15 and April 15 filing deadlines in my calendar

Capturing Every Legal Deduction

Build the documentation habits and big-ticket write-offs that lower taxable income without raising audit risk.

Worksheet: Home Office Deduction Calculator

Measure your dedicated, exclusive-use workspace and compute the deduction both ways, then keep the larger figure.

Office square footage (exclusive business use only)

Total home square footage

Business-use percentage (office / total)

Simplified method: office sq ft (max 300) x \$5

Total eligible annual home costs (rent, utilities, insurance, repairs)

Regular method: business-use % x total home costs

Larger of the two methods (claim this)

Exercise: Find Your Missing Deductions

Review three months of business bank and card statements line by line and categorize every charge. The goal is to surface deductions you have been forgetting.

- Which software, subscriptions, and professional memberships are you paying for but not currently deducting?
 - What business meals lack a recorded purpose and attendees that you can still reconstruct?
 - Did you buy any equipment over \$500 that could be expensed under Section 179 this year?
 - Are you deducting self-employed health insurance premiums above the line?
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Worksheet: Retirement Contribution Planner

Pick a plan and the amount you will contribute to shelter income before the deadline.

Projected net profit

Plan chosen (SEP-IRA / Solo 401(k) / SIMPLE IRA)

Maximum contribution allowed under that plan

Amount you will actually contribute

Contribution deadline (note SEP can fund up to filing deadline incl. extensions)

Estimated tax saved (contribution x marginal rate)

Checklist: Audit-Proof Documentation Checklist

- Every business expense runs through the business account or card
- Receipts captured into accounting software the day they occur
- Meals annotated with business purpose and attendees
- A contemporaneous mileage log (date, destination, purpose, miles) is in place
- Each deduction passes the 'ordinary and necessary' test
- Records retained at least three years (seven for losses and major assets)

Self-Employment Tax and Quarterly Payments

Run the SE-tax and QBI math, then lock in penalty-free quarterly estimates using the safe harbor.

Worksheet: Self-Employment Tax Worksheet

Follow the Schedule SE logic to find what you owe in Social Security and Medicare tax, and the half you get to deduct.

Net profit from Schedule C

Multiply by 0.9235 (taxable SE base)

SE tax = base x 15.3% (up to the Social Security wage base)

Additional 2.9% on any amount above the wage base

One-half of SE tax (your above-the-line deduction)

QBI deduction estimate (up to 20% of qualified business income)

Exercise: Set Your Safe-Harbor Quarterly Payment

Use last year's tax to compute four equal payments that make you penalty-proof regardless of how this year turns out.

- What was your total tax on last year's Form 1040?
- Was your prior-year AGI over \$150,000 (if so, use 110% instead of 100%)?
- Safe-harbor target = last year's tax x 100% (or 110%); divide by 4 for each quarterly payment.

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- Which payment method will you use — IRS Direct Pay or EFTPS — and is each due date on your calendar?
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Checklist: Quarterly Estimated Tax Checklist

- Separate tax-savings account opened
- 25-30% of every client payment swept into the tax account
- Q1 payment scheduled (~April 15)
- Q2 payment scheduled (~June 15)
- Q3 payment scheduled (~September 15)
- Q4 payment scheduled (~January 15)
- Confirmation number saved for each payment

Records, Your Accountant, and Year-Round Planning

Keep clean books, brief the right tax professional, and run a quarterly rhythm that lowers your effective rate.

Checklist: Monthly Close Checklist

- Imported all bank and card transactions for the month
- Categorized every transaction to a consistent chart of accounts
- Flagged any personal charges for owner reimbursement
- Reconciled ending balances to the statements
- Annotated meals and travel with business purpose
- Snapshotted profit and loss vs. the tax set-aside target

Worksheet: Accountant Briefing Agenda

Complete this before any meeting with a tax professional so the same fee buys planning, not data entry. Professional engaged (Bookkeeper / EA / CPA) and their PTIN verified (Y/N)

Reconciled financials attached (P&L and balance sheet)

Top 3 tax questions to ask

Major changes this year (new revenue level, hire, large purchase, move)

Estimated-tax projection requested (Y/N)

Written action items and deadlines received (Y/N)

Exercise: Build Your Quarterly Tax Calendar

Assign concrete moves to each quarter so taxes are managed all year instead of scrambled in April.

- Q1: which prior-year retirement contribution will you fund, and what is your safe-harbor estimate?
 - Q2: after reconciling, has income jumped enough to raise your estimates?
 - Q3: at your mid-year review, should you make or revisit the S election and retirement plan?
 - Q4: which year-end moves apply — equipment purchase, income deferral, maxing retirement before December 31?
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Checklist: Year-End Tax Moves Checklist

- Maxed Solo 401(k) or SEP-IRA up to the annual limit
- Purchased genuinely needed equipment and applied Section 179
- Deferred or accelerated income to manage the bracket (legally)
- Prepaid deductible expenses where it lowers this year's bracket
- Harvested investment losses to offset taxable gains
- Confirmed all moves are documented tax avoidance, never evasion

Your Action Plan

1. Open a dedicated business bank account and credit card this week, and stop running personal charges through them.
2. Get a free EIN at IRS.gov and confirm your entity's current tax treatment.
3. Run the S corp break-even on your projected profit and decide whether to file Form 2553.
4. Set up accounting software (QuickBooks, Xero, or free Wave) and import the last three months of transactions.
5. Calculate your self-employment tax and your QBI deduction using this year's projected net profit.
6. Compute your safe-harbor quarterly payment from last year's tax and schedule all four payments in Direct Pay or EFTPS.
7. Open a separate tax-savings account and automate a 25-30% sweep on every payment received.
8. Choose and fund a retirement plan (SEP-IRA or Solo 401(k)) before its deadline.
9. Hire or schedule a mid-year review with an EA or CPA and bring reconciled books plus a written agenda.
10. Put the four quarterly reviews and the March 15 / April 15 filing deadlines on your calendar for the whole year.

