Make April 15 Tax-Year-Resolution Day For Next Year

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04/14/2015 01:48 PM ET

Entrepreneurs and serious investors can reduce their taxes by 10%-40% in three months with a top strategy. So says Tom Wheelwright, certified public accountant and author of "Tax-Free Wealth."

"The most important thing to understand is that the tax law is fundamentally a series of incentives for business owners and investors to reduce your taxes," he told IBD.

Tips on starting today to lower your tax burden for next April 15:

• **Maintain docs.** Wheelwright noted: "Every dollar you bring in is either taxable or not, and every dollar you spend is either deductible or not. Almost any expense can be deductible if the facts show that it is for business or investment purposes. These include meals, entertainment, travel, auto expenses and even part of your home."

Don't get lax with your bookkeeping, tracking of receipts or corporate records, he emphasizes.

• **Drive deductions home.** While car expenses are part of most businesses, they're often tracked poorly, says Daniel Hutnicki, a Los Angeles CPA. Make sure to charge all your gas and auto expenses.

While the IRS wants a mileage log, substantiate it further by having your car serviced at the beginning and end of the year. The paperwork should reflect the mileage as a way of documenting how much you have driven during the year.

• **Cover ground rules.** Not all income is created equal, Wheelwright points out. Capital gains and dividends are taxec at a lower rate than earned income. Income earned in Roth IRAs is not taxed at all. A good tax adviser can help you focus on how to change the nature of your income from a standard one to lower or nontaxed options.

• **Contribute maxes.** Fund your 401(k) and other retirement plans to the most allowed.

It's simple math, said Hutnicki: "the more you put into these funds, the less you will pay in taxes."

Steve Repak, a certified financial planner and author of "Dollars & Uncommon Sense," notes that you can reduce your taxes by $3,500 through contributing $10,000 to a qualified retirement plan if you're in the 35% tax bracket: "No matter if you are an individual or a business owner, ensure you take into account the contribution limits which are dependent on the types of retirement plan you are using. It's always best to check first with your CPA or tax professional on the amount you can contribute."

• **Offer a retirement fund.** Many businesses refuse to get plans because owners don't want to put money in for their employees. Hutnicki says that thinking can cost firms a lot in taxes. Several types of retirement plans might fit your needs. Even if you don't want to put in any money for your employees, you can still create a 401(k) for the company as a perk for them.

• **Don't go it alone.** "Hire a great tax adviser," Wheelwright said, pointing to a pretty smart guy for confirmation: "Einstein said the most difficult thing in the world to understand is the tax law."

A solid pro "will ask good questions and can help you create a tax and asset protection strategy that will reduce taxes now and in the future," Wheelwright said.

• **Stay one step ahead.** Hutnicki points out that some people might plan on purchasing real estate or making some other investment, but neglect to talk to a CPA beforehand. Mistake. You might be missing out on tax advantages through proper timing of the purchase.

"Once the transaction has completed or the year is over, there is nothing a CPA can really do except apply the tax laws to it," Hutnicki said. "We become historians and not advisers. It's not how much you pay in taxes; it's how much you keep. That's the real game when it comes to taxes."