

Tax Deduction Strategy Guide for High-Income Investors & Business Owners

Last-Minute Tax Strategies to Reduce Your 2024 Tax Bill Before April 15, 2025

1. Contribute to a SEP-IRA (for Business Owners & Self-Employed Individuals)

- **Deadline:** April 15, 2025 (or October 15 with an extension)
- **Deduction:** Up to **25% of compensation or \$69,000** (whichever is lower)
- **Benefit:** Reduces taxable income while growing retirement savings tax-deferred

2. Make a Backdoor Roth IRA Contribution

- If above income limits for a Roth IRA, contribute to a **nondeductible Traditional IRA and immediately convert to a Roth IRA**
- Provides **tax-free growth**, even though it does not lower 2024 taxes

3. Deduct Business Expenses Now (Even if Paid in Early 2025)

- **If incurred in 2024, you can still deduct them, even if paid in early 2025**
- **Examples:** Equipment purchases, office rent, subscriptions, professional services

4. Fund an HSA (Health Savings Account) Before April 15, 2025

- **Deadline:** April 15, 2025

- **Deduction Limits:** \$3,850 (individual), \$7,750 (family), plus **\$1,000 catch-up** (if 55+)
- **Triple Tax Advantage:** Contributions are **tax-deductible**, grow tax-free, and can be withdrawn tax-free for medical expenses

5. Make a Prior-Year IRA Contribution

- **Deadline:** April 15, 2025
- **Deduction:** Up to \$7,000 (\$8,000 if 50+)
- **Phase-out for high earners if covered by a workplace retirement plan**

6. Pay 2024 State Income Taxes Before April 15, 2025

- Paying any **remaining state income tax liability for 2024** before April 15 can increase **itemized deductions**
- **Caution:** SALT (State and Local Tax) deductions are capped at **\$10,000**

7. Claim Tax-Loss Harvesting for Investments Sold in 2024

- **Offset capital gains with capital losses**
- **Deduct up to \$3,000** in excess losses against ordinary income, with remaining losses carried forward

8. Property Tax Payments – When Are They Deductible?

- **Property taxes are deductible in the year they are actually paid, not just assessed**
- **If you pay your 2024 property taxes in early 2025 (before April 15), they still count toward your 2024 tax deduction**
- **Prepaying 2025 property taxes in 2024 does NOT allow you to deduct them early**

9. Rent Your Home to Your Business (Augusta Rule)

- **Rent your home to your business for up to 14 days per year**
- **Your business gets a tax deduction**, but the rental income is tax-free for you
- **Example:** If fair rental value is \$2,000 per day, you can legally deduct \$28,000 tax-free

10. Hiring Your Children – Shift Income to Lower Tax Brackets

- **Pay your children (under 18) a reasonable salary from your business**
- **They can earn up to \$14,600 tax-free** while reducing your business's taxable income

Underutilized Tax Deductions for Business Owners & Professionals

1. Section 179 Deduction for Equipment & Vehicles

- Deduct **100% of business equipment purchases** (laptops, software, office furniture)
- **Bonus:** SUVs & trucks over 6,000 lbs (e.g., Tesla Model X, Range Rover) qualify for full depreciation in **Year 1**

2. Self-Directed Retirement Plans (Mega Backdoor Roth & Cash Balance Plans)

- **Mega Backdoor Roth:** Contribute up to **\$76,500** to a Roth 401(k)
- **Cash Balance Pension Plan:** High earners can contribute up to **\$400,000+ pre-tax**, reducing taxable income

3. Networking & Investor Dinners – 100% Deductible Meals

- **To qualify for full deduction:**
 - Must be a structured event with a business agenda

- Keep an attendee list and meeting notes
- Examples: Investor presentations, client dinners, networking events
- **Casual business meals are only 50% deductible**

4. S-Corp Tax Savings Strategy – Avoid Self-Employment Tax

- **LLC owners can elect S-Corp status to reduce self-employment taxes**
- **Only the salary is subject to payroll tax; business profits are taxed at lower rates**

5. Medical Expense Reimbursement Plans (MERP)

- **Deduct personal medical expenses through your business**
- **Best for C-Corps, but also works for sole proprietors & LLCs**

6. QBI Deduction – Get a 20% Tax Break on Business Income

- If you own an **LLC, S-Corp, or sole proprietorship**, you may qualify for a **20% deduction on qualified business income**
- **Income Limits (2024):**
 - Below **\$232,100 (single)** or **\$464,200 (married)** → Full 20% deduction applies
 - Above these limits? Deduction **phases out for certain professions** (lawyers, CPAs, consultants, etc.)

Final Takeaways: Maximize Your Tax Deductions Before April 15

- ✓ **Maximize last-minute SEP-IRA, HSA, and IRA contributions**
- ✓ **Pay state income taxes before April 15 to boost deductions**
- ✓ **Use tax-loss harvesting to offset capital gains**

- ✓ **Deduct 2024 property taxes paid in early 2025**
- ✓ **Leverage business deductions like the Augusta Rule, investor dinners, and S-Corp tax strategies**

By implementing these strategies, you can **significantly lower your 2024 tax bill before filing.**