

Webinar

Simple Tax Strategies That Will Lower Your Tax Liability





OUR MISSION IS TO IMPACT THE FINANCIAL HEALTH OF OVER 850,000 CHILDCARE BUSINESSES IN THE US BY STRATEGICALLY SHOWING THEM HOW TAXES, BOOKKEEPING & PAYROLL CAN BE USED AS A TOOL TO GROW THEIR BUSINESS. DAYCARE OWNERS SUFFER FROM AN INHERENT NUMBER OF CHALLENGES ACCOUNTING SHOULD NOT BE ONE

SIMPLE TAX STRATEGIES THAT WILL LOWER YOUR TAX LIABILITY



TESTIMONIAL

- David was recommended to me about 8yrs ago because I received a worker's comp penalty audit and was frantic because I was paying my employees on a 1099. He first calmed me down, then he explained what we need to do, and I have to say that he advised me correctly, he was able to get my \$15,000 penalty waived and put me on the right path. Love you David! ~Doris Perez, Doris Daycare



TESTIMONIAL



- Let me start by saying David is amazing!!! I started working with David with my business & personal taxes 5 yrs ago and he has saved me THOUSANDS!! I highly recommend David for tax services. He knows his stuff real well and will always educate you throughout the process. I would not change him for the world! ~Nekea Whitson, Brainiac Babies LLC



What Are the Four Main Types of Business Entities?

CHOOSING THE PROPER BUSINESS ENTITY IS CRITICAL

The consequences of choosing the wrong type of entity can be devastating to your daycare business.

Too many times we see Daycare Owners paying a large amount of tax which could have been avoided like Vicky.

Roughly 75% of the Daycare owners whom we service had these same issues of paying too much tax due to their lack of knowledge of the tax code.

Finally, you will learn how to AVOID paying tax.

- Sole Proprietorship
- Subchapter S Corporation (aka S-Corp)
- The C Corporation (aka Ccorp)
- Partnership
- Over 10yrs too many childcare owners are paying too much tax, frustrated w/bookkeeping & payroll.



YOUR DAYCARE ACCOUNTINGPRO



- My name is David Encarnacion, and for the last decade I have helped hundreds of Childcare owners just like you to achieve peace of mind by providing strategies that lower their tax liability.
- 20-30 min pay less tax



LIMITED LIABILITY COMPANY (LLC)



An LLC is a business structure allowed by State Statute (check w/State)



Owners of an LLC are called members. Most States do not restrict ownership



An LLC is considered a “disregarded entity”



LLCs provide their owners with limited liability protection



Rules & Regulations are fewer for LLCs



There are 3 states in which LLCs are very expensive
Arizona, Nebraska & NY

- Pass-through entity
- Profit/loss taxed as personal income
- Pay self-employment tax
- SS4 / CP575
- Option to be treated as an S-Corp
- Melissa \$22,559
- File 1040 Schedule C or 1120S or 1065
- Everyone take deductions, I say there are more important things to look at.



TAX ID LETTER SS4 / CP575

IRS DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
CINCINNATI OH 45999-0023

Date of this notice: 01-28-2020

Employer Identification Number:
[REDACTED]

Form: SS-4

Number of this notice: CP 575 B

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN [REDACTED]. This EIN will identify you, your business accounts, tax returns, and records, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear off stub and return it to us.

Based on the information received from you or your representative, you must file the following form(s) by the date(s) shown.

Form 1065 03/15/2021

If you have questions about the form(s) or the due date(s) shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2004-1, 2004-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

A limited liability company (LLC) may file Form 8832, *Entity Classification Election*, and elect to be classified as an association taxable as a corporation. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553, *Election by a Small Business Corporation*. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832.

To obtain tax forms and publications, including those referenced in this notice, visit our Web site at www.irs.gov. If you do not have access to the Internet, call 1-800-829-3676 (TTY/TDD 1-800-829-4059) or visit your local IRS office.

SCHEDULE 2
(Form 1040)

Additional Taxes

OMB No. 1545-0074

2021

Attachment
Sequence No. **02**

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040, 1040-SR, or 1040-NR.

▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Tax

1	Alternative minimum tax. Attach Form 6251	1	
2	Excess advance premium tax credit repayment. Attach Form 8962	2	
3	Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3	

Part II Other Taxes

4	Self-employment tax. Attach Schedule SE	4	22,559
5	Social security and Medicare tax on unreported tip income. Attach Form 4137	5	
6	Uncollected social security and Medicare tax on wages. Attach Form 8919	6	
7	Total additional social security and Medicare tax. Add lines 5 and 6	7	
8	Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required	8	
9	Household employment taxes. Attach Schedule H	9	
10	Repayment of first-time homebuyer credit. Attach Form 5405 if required	10	
11	Additional Medicare Tax. Attach Form 8959	11	
12	Net investment income tax. Attach Form 8960	12	
13	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12	13	
14	Interest on tax due on installment income from the sale of certain residential lots and timeshares	14	
15	Interest on the deferred tax on gain from certain installment sales with a sales price	15	

1040 Schedule 2
line 4

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>		16	7,348
17	Amount from Schedule 2, line 3		17	
18	Add lines 16 and 17		18	7,348
19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812		19	
20	Amount from Schedule 3, line 8		20	
21	Add lines 19 and 20		21	
22	Subtract line 21 from line 18. If zero or less, enter -0-		22	7,348
23	Other taxes, including self-employment tax, from Schedule 2, line 21		23	22,559
24	Add lines 22 and 23. This is your total tax		24	29,907
25	Federal income tax withheld from:			
a	Form(s) W-2	25a		
b	Form(s) 1099	25b	1,800	
c	Other forms (see instructions)	25c		
d	Add lines 25a through 25c	25d	1,800	
26	2021 estimated tax payments and amount applied from 2020 return	26		
27a	Earned income credit (EIC) Check here if you were born after January 1, 1998, and before January 2, 2004, and you satisfy all the other requirements for taxpayers who are at least age 18, to claim the EIC. See instructions.	27a		
b	Nontaxable combat pay election	27b		
c	Prior year (2019) earned income	27c		
28	Refundable child tax credit or additional child tax credit from Schedule 8812	28		
29	American opportunity credit from Form 8863, line 8	29		
30	Recovery rebate credit. See instructions	30		
31	Amount from Schedule 3, line 15	31		
32	Add lines 27a and 28 through 31. These are your total other payments and refundable credits	32		
33	Add lines 25d, 26, and 32. These are your total payments	33	1,800	
34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34		
35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here	35a		
b	Routing number			
c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
d	Account number			
36	Amount of line 34 you want applied to your 2022 estimated tax	36		
37	Amount you owe. Subtract line 36 from line 24. If zero or less, enter -0-	37	28,273	

If you have a qualifying child, attach Sch. EIC.

Refund

Direct deposit? See instructions.

1040 page 2 line 23

HOW MUCH TAX WILL I PAY FILING AS A SOLE PROPRIETOR?

- Self-employment tax is 15.3% of net profits (in which the employer pays 7.65% and the employee pays 7.65%)
- EXAMPLE: If you are filing your taxes as a Sole Proprietor and you have a net profit of \$100,000, your self-employment tax will be \$15,300.



SUBCHAPTER S-CORP

- S-Corps are corporations/LLC that elect to pass through income
- Must be a Domestic Corporation
- Liability of S-Corp is separate from owners
- Liabilities are limited
- Must submit Form 2553 (State)
- Late election relief / file timely
- Does not pay corporate income tax
- Qualifies for Qualified Business Income Deduction (QBDI); owner gets a 20% deduction on personal tax return
- Pass-through entity
- Avoid double taxation on corporate income
- Owners must take a “reasonable wage”; everyday put yourself at risk, 87000 auditors
- File 1120S by March 15th



SOLUTIONS ON AVOIDING SELF- EMPLOYMENT TAX

Make	Make S-Corp election to the IRS and State (if applicable)
Pay	Pay yourself on a W2; S-Corp owners are required to take a “reasonable wage”
Do	Do not co-mingle business and personal accounts
Focus on	Focus on tax planning rather than tax preparation
Execute	Execute tax strategies to lower your tax liability



WHAT IS YOUR JOB AS A CHILDCARE OWNER?

- Manage the business 17000 closings
- Keep up with ECE education
- Provide a safe & nurturing environment for the kids
- Manage parents' expectations and concerns
- Increase revenue 20hrs 1040
- Need someone to help avoid pitfalls, give peace of mind



SPECIFIC TAX STRATEGIES TO LOWER YOUR TAX LIABILITY

- SEP IRA, SOLO 401K, Simple IRA
- Pay your spouse & kids (12yrs) / ROTH 401K
- Plan ahead / Tax Planning
- Use Healthcare Insurance strategy
- Use Augusta Rule / Rent from spouse
- Prepay certain subscriptions/vendors in advance 12/31
- Take advantage of 100% bonus depreciation; exp 12/31/22
- Schedule a strategy session with your accountant in November
- **MOST IMPORTANTLY: BE COACHABLE**
- Common question? Can you HELP



SCHEDULE CONSULTATION

20-MINUTE CALL

FREE

- ✓ Review your current process & procedures
- ✓ Share tax strategies you can implement now
- ✓ Receive eBook with additional tax strategies
- ✓ Share screen of tax projection for 2022

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- Work with FCC, Centers \$50K-\$1mil
- Next step schedule 20-min call
- What offer means for you
- Position of power
- Picture a day
- Whether solopreneur or center this offer will help transform business in any economy
- YOU DESERVE PEACE OF MIND

OFFERS \$1000 VALUE

<https://daycareaccountingpro.com/appointment>



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