

Syllabus for the Tax Issues Module

Welcome to the *Tax Issues Module*! The U.S. Income Tax System seems incredibly complex and confusing to most people. It truly can be, and no one really understands all of it. However, for small ventures, the *Internal Revenue Code* is not so mysterious. Most of the really obscure parts of the *Code* are involved with transactions and arrangements which rarely involve entrepreneurial ventures. For most of us, the basics are comprehensible, and with just a bit of knowledge we can learn to use them to our advantage.

We will be talking about avoiding taxes as much as possible in these units; not about evading taxes. Each of us is obligated to pay the taxes that we legally owe, but most of us actually pay more than we legally owe because we fail to use some very simple practices. Keep in mind the famous quote by Judge Learned Hand: “*Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one's taxes. Over and over again the Courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands.*” That is the philosophy which we want to put into practice!

First, view the *Minimizing Taxes* video, and read the pdf workbook that accompanies it. This video will teach you to become your own tax advisor. You see, it is very difficult to minimize tax liability *after* the year is over. That's because most people fail to keep the proper records and fail to remember to think about minimizing taxes each day. We will show you how to do both, and we will explain such issues as passive losses, section 179, entertainment and travel expenses, listed property, the impact of leasing, mileage and auto expenses, home office expenses, and issues particular important for proprietorships, partnerships and limited liability companies.

Secondly, view the *Minimizing Corporate Taxes* video, and read the pdf workbook that accompanies it. This video will teach you how fringe benefits work in both C and S corporations, and about the powerful de minimus rules. Then we will explore employee benefits, payroll taxes, and expense preference behavior. Finally, we will pay special attention to when a C corporation is better than an S, and when an S corporation is better than a C.