

7 Reasons Your Tax Bill Is Too High

Presented by



Start Saving On Taxes, Today!

Thank you for downloading this eBook.

Most people think about taxes once a year. In reality, taxes affect almost every financial decision you make—starting or closing a business, hiring employees, investing, buying or selling property, and paying yourself.

The problem is that the IRS does not make it easy to spot tax-saving opportunities. The rules are complex, the language is confusing, and most people only find out what they missed after the year is already over.

Tax planning changes that.

The U.S. government uses the tax system to encourage behavior that benefits the country—such as starting businesses, creating jobs, investing capital, and preserving land. These goals are supported through tax laws and incentives written directly into the IRS code.

There are **hundreds of legal tax strategies**, all backed by IRS rules. Most people never use them because they require planning ahead, not just filing a tax return.

In this eBook, I've narrowed those ideas down to **seven core strategies**. Not every strategy applies to everyone. The purpose of this book is to show you what's possible, what's legal, and what questions you should be asking before decisions are made.

My name is **Robert Kershaw**, and I'm the owner of **Kershaw Tax Advisory**. We help business owners and high-income individuals reduce taxes proactively by designing and implementing strategies like the ones you're about to read—before tax season, not after.

If you have questions or want help applying these strategies to your situation, we offer a free consultation to discuss next steps.

Schedule your free consultation today.

Sincerely,

Robert Kershaw, EA
Owner, Kershaw Tax Advisory



Tax Strategy #1

Strategy: Entity Structure Optimization

Your business entity determines how you are taxed. If your entity is wrong, you are almost guaranteed to overpay.

Many business owners start with the simplest option and never revisit it as income grows. That mistake can cost thousands of dollars each year.

Common entity types include:

Sole Proprietorship
Single-Member LLC
Partnership
S Corporation
C Corporation

There is no one-size-fits-all answer. The right structure depends on income level, business activity, ownership, and future plans.

Why This Matters

The IRS taxes income differently based on entity type. Depending on how you are set up:

- You may pay self-employment tax on all profits
- You may be able to reduce payroll taxes
- You may unlock or block access to key tax strategies
- You may be paying yourself incorrectly

Entity structure is the **foundation** of tax planning. Many strategies in this book—such as accountable plans, the Augusta Rule, and payroll optimization—only work if your entity is structured correctly.

Once income reaches a certain level, staying in the wrong entity usually means unnecessary taxes every year.

How the Strategy Works

This strategy evaluates your current setup and answers key questions:

Are you paying more self-employment tax than required?

Is your compensation structured correctly?

Is your entity limiting tax-saving opportunities?

Does your structure still make sense as income grows?

In some cases, this means changing tax elections. In others, it may require restructuring ownership or compensation.

The goal is simple: **use the entity that results in the lowest legal tax burden.**

Requirements

Active business income

Properly formed and maintained entity

Correct payroll and compensation setup

Timely elections and compliance

Next Steps

Work with **Kershaw Tax Advisory** to review your current entity and determine whether a change could significantly reduce your tax bill.



Tax Strategy #2

Strategy: Accountable Reimbursement Plan

Many business owners pay for business expenses with personal money and never get the full tax benefit. Without the right structure, these payments can be treated as taxable income or ignored entirely.

An Accountable Plan allows a business to **reimburse employees—including owners—for business expenses** without creating taxable income to the person being reimbursed.

When set up correctly, the business gets a deduction, and the owner receives tax-free reimbursement.

Why This Matters

Without an accountable plan, reimbursements may be treated as wages by the IRS. That means more taxes and less cash in your pocket.

With an accountable plan:

- The business deducts the expense
- The reimbursement is not taxable to the owner
- Cash is moved out of the business legally and efficiently

This strategy is especially powerful for S corporations and partnerships.

How the Strategy Works

The business adopts an expense reimbursement policy that defines:

What expenses qualify

How expenses are documented

How and when reimbursements are paid

Common reimbursable expenses include:

Business use of your home

Mileage and vehicle costs

Cell phone and internet

Supplies and equipment

This strategy is also used to maximize the home office benefit.

Large home expenses—such as repairs, improvements, utilities, or maintenance—can be allocated **proportionately to the home office** and reimbursed through the business when supported by proper documentation. This allows larger, legitimate deductions than a basic home office method alone.

Requirements

Expenses must be business-related

Expenses must be documented

Reimbursements must be made within a reasonable time

The plan must follow IRS accountable plan rules

Next Steps

Work with **Kershaw Tax Advisory** to design and implement an accountable plan that properly reimburses expenses and expands your home office tax benefit.



Tax Strategy #3

Strategy: Augusta Rule (Home Rental)

The Augusta Rule allows business owners to rent their home to their business for up to **14 days per year** and **exclude the rental income from personal taxes**.

At the same time, the business deducts the rental expense. This creates a clean way to move money out of the business without payroll or income tax on the personal side.

This rule was originally created to protect homeowners in Augusta, Georgia, who rented their homes during the Masters golf tournament. Today, it applies to homeowners across the country.

Why This Matters

Most ways of paying yourself from a business involve taxes. The Augusta Rule is different.

When used correctly:

- The business gets a deduction
- The owner receives tax-free income
- No payroll taxes apply
- No income tax applies on the rental income

This makes it one of the most powerful short-term cash strategies available to business owners.

How the Strategy Works

The business rents the owner's home for legitimate business use, such as:

Annual or quarterly planning meetings

Board or strategy sessions

Team meetings or training

Company events

The daily rental rate must match local market rates. A written rental agreement should be in place, and documentation should support the business purpose.

The home can be a primary residence or a vacation home. As long as the home is rented for **14 days or fewer** during the year, the income remains tax-free to the owner.

Requirements

Rental limited to 14 days per year

Fair market rental rate must be used

Written agreement and documentation required

Home cannot be a full-time rental property

Entity must support the transaction

Next Steps

Work with **Kershaw Tax Advisory** to properly document, price, and implement the Augusta Rule so it holds up under IRS review.



Tax Strategy #4

Strategy: Hiring Your Children

If you own a business, hiring your children can be a powerful way to reduce taxes while teaching them responsibility and work skills.

This strategy allows the business to deduct wages paid to your children while shifting income to a lower tax bracket—often at little or no tax cost overall.

When done correctly, it is fully legal and clearly supported by IRS rules.

Why This Matters

Income earned by a business owner is often taxed at high rates. Income earned by children is usually taxed at much lower rates—or not at all if it falls below the standard deduction.

When you hire your children:

- The business deducts their wages
- The family keeps more money overall
- Income is shifted from a high tax rate to a low one
- Children can earn income tax-free up to the standard deduction

In certain business structures, wages paid to children can also avoid payroll taxes.

How the Strategy Works

The business hires the child to perform real, age-appropriate work, such as:

Office help and filing
Cleaning or organizing
Social media or basic marketing
Yard work or maintenance
Administrative tasks

Wages must be reasonable for the work performed and properly documented. Payments should be made just like any other employee—through payroll and with proper records.

Children can use their earned income to build savings, fund education, or contribute to a Roth IRA.

Requirements

The child must perform legitimate work
Wages must be reasonable and documented
Payments must follow payroll rules
Best suited for sole proprietorships or certain family-owned entities
Corporate structures may limit payroll tax savings

Next Steps

Work with **Kershaw Tax Advisory** to determine whether hiring your children fits your entity structure and to implement it correctly without triggering IRS issues.



Tax Strategy #5

Strategy: Tax-Favored Retirement Deductions

The tax code rewards business owners who set money aside for retirement. When done correctly, this allows you to **lower your tax bill now** while keeping control of your business income.

This strategy is not about choosing investments or managing a portfolio. It is about using **IRS-approved retirement rules** to reduce how much income gets taxed each year.

For higher-income business owners, this can be one of the largest deductions available.

Why This Matters

If you do nothing, retirement deductions are small or missed completely. With planning, business owners can:

- Deduct far more than basic retirement limits
- Reduce taxable income in high-earning years
- Move money into a protected structure
- Control when taxes are paid

The government wants business owners to save for the future. The tax code is written to reward that behavior.

How the Strategy Works

The business sets up a retirement plan that fits its income and structure. Common examples include:

Owner-only 401(k) plans

Employer retirement plans

Higher-limit retirement plans for established businesses

The focus is on **how much can be deducted**, not how the money is invested. Contribution amounts are based on income, payroll, and IRS rules.

This strategy works best when coordinated with your entity structure and tax payment plan.

Requirements

Ongoing business income

Proper entity and payroll setup

Contributions must follow IRS limits

Deadlines must be met

Next Steps

Work with **Kershaw Tax Advisory** to see whether this strategy fits your business and how much it could reduce your tax bill.



Tax Strategy #6

Strategy: Tax Payment Planning

The IRS requires many taxpayers to pay taxes **during the year**, not just when filing a return. These are commonly called **quarterly estimated payments**, but the name is misleading.

The payments do **not** follow normal calendar quarters. Paying the wrong amount or paying late can trigger **underpayment penalties**, even if you pay your full tax bill by year-end.

This strategy focuses on paying the **right amount**, on the **IRS schedule**, using current-year numbers.

Why This Matters

Without planning, many people:
Underpay and get penalized
Overpay and lose access to their cash
Use last year's numbers even when income changes

With proper planning:

- Payments match actual income
- Penalties are avoided
- Cash stays in the business longer
- Year-end surprises are reduced

How the Strategy Works

Estimated payments are calculated using real income, deductions, and tax strategies already in place.

The IRS uses **four required payment periods**, which do **not** line up with calendar quarters:

April – early-year income

June – short second period

September – longer summer period

January – late-year income

Because the periods are uneven, equal payments can still cause penalties if income is not earned evenly.

This strategy adjusts both **timing and amount** to match how income is actually earned.

Requirements

Reliable income tracking
Payments made by IRS deadlines
Updates when income changes
Coordination with your overall tax plan

Next Steps

Work with **Kershaw Tax Advisory** to schedule and calculate tax payments correctly so you stay compliant without overpaying the IRS.



Tax Strategy #7

Strategy: Advanced Investment Tax Strategies

The tax code uses incentives to encourage certain types of investment activity that benefit the country. When structured correctly, some investments come with **powerful tax benefits** that can significantly reduce taxable income.

This strategy is not about picking investments or managing money. It is about understanding **how certain investments are treated under IRS rules** and whether those rules can be used as part of a larger tax plan.

These strategies are advanced and are typically used only after core tax planning is already in place.

Why This Matters

High-income taxpayers often reach a point where basic deductions are no longer enough. Advanced investment tax strategies can:

- Create large, current-year deductions
- Offset ordinary income, not just capital gains
- Reduce taxes in peak earning years
- Work alongside other tax strategies already in use

These benefits exist because the government wants to encourage specific economic behavior, and the tax code reflects that.

How the Strategy Works

This strategy focuses on **IRS-favored investment activity**, such as:

Oil and Gas Investments- Certain costs may be deducted upfront under IRS rules, which can create large deductions in the year invested.

Real Estate Depreciation- Real estate allows for accelerated depreciation deductions that reduce taxable income, even when the property produces cash flow.

Conservation Easements- In limited and highly regulated cases, land preservation incentives may result in charitable deductions when structured correctly.

Each of these strategies has strict rules, documentation requirements, and other considerations. They must be evaluated carefully and coordinated with your overall tax picture.

Important Considerations

These strategies are not suitable for everyone.

IRS scrutiny is higher when done incorrectly.

Proper structure and third-party support are critical.

Tax benefits should never be the only reason to invest.

Requirements

High, consistent taxable income

Strong underlying tax plan

Willingness to follow strict IRS rules

Coordination with qualified professionals

Next Steps

Work with **Kershaw Tax Advisory** to evaluate whether any advanced investment tax strategies make sense for your situation and how they should be integrated into a compliant tax plan.

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