



From viral social media videos to rumors from your neighbor, let's take a look at some of the top tax myths going around.

MYTH	REALITY
Forming an LLC means automatic tax write offs	All business expenses must be "ordinary and necessary" to be deductible according to the IRS, the legal structure would not change this.
I wasn't issued a 1099 so I don't have to claim the income on my taxes	All income is taxable even if you do not receive a tax form
The IRS doesn't have time to audit me	The IRS may be short staffed, but audits oftentimes are based on their software detecting anomalies or are assigned randomly. Don't forget that the State has auditors as well!
The IRS will fix mistakes for me	Mistakes can delay refunds or lead to notices. Best to include everything necessary when filing.
All tips and overtime aren't taxable anymore	Both tips and overtime are not subject to income tax up to \$25,000 if your AGI is under \$150k and the deduction is phased out from \$150k to \$300k (filing jointly). The tip deduction is also subject to only qualified occupations.
Everyone can get a deduction for a new car loan	The vehicle must be a new vehicle for personal use under 14,000 lbs with final assembly in the US. Leases and used vehicles do not qualify. The deduction is up to \$10,000 and phases out with AGIs above \$200k (filing jointly)
Claiming "exempt" on your W-4 means you don't have to pay taxes	Selecting "exempt" stops the withholding on your taxable income and does not eliminate your tax liability. Many who do this will end up owing the tax at year end instead of paying throughout the year.
Hire your kids to reduce taxes	Kids can be hired and added to payroll, but they do need to have a legitimate job to do and paid at market-rate wages. Paying your kids could also trigger a filing requirement for them if they have outside wages of investment income.

MYTH	REALITY
Writing something off means it's free!	All tax deductions and business "write-offs" are a reduction to your taxable income but are never dollar-for-dollar savings. Only tax credits (think child tax credits) reduce taxes one-to-one
If it's a business expense, it's 100% deductible	"Ordinary and necessary" aren't always 100% deductible: meal deductions are usually 50% deductible but sometimes not deductible. Entertainment and some owner expenses like life insurance are not deductible. Personal expenses are never deductible even if charged through the business.
Doing business on a family vacation makes it deductible	The primary purpose of a trip must be for business-related purposes to make the trip deductible. International travel has even more stipulations to be deductible for business
My CPA/EA/Tax Preparer knows everything about me!	We do know quite a bit but if you have any major life changes (new kiddo, moving houses, selling assets, etc.) a heads up is always appreciated!
Meals, travel and vehicle expenses are easy deduction	All three of these categories are commonly scrutinized by the IRS. If audited, the IRS would want to see documentation to support these (any all other) deductions: business purpose, who attended, dates, mileage log and receipts.
Tax planning is only for big business	Smaller businesses often benefit the most from planning because small changes can materially improve cash flow
My accountant can find a "loophole" so I never pay taxes	Very incorrect. We use current tax laws to build smart, compliant tax strategies tailored to your business, helping you minimize taxes while staying away from IRS scrutiny (and jail!) No tax fraud here!

TAX LAWS ARE RARELY ONE-SIZE-FITS-ALL

Before relying on a social media tip, talk with your Account Manager. They can help you understand what applies to you and your unique tax situation!