

# Smart Tax Planning

## 马州LLC税务规划讲座 Ten Benefits of Setting up a Maryland LLC

Note: Maryland is ranked #35 (1 the best and 50 the worst) among 50 states in terms of tax burden.

1. Business expense deductions. Tip: Bookkeeping is critical
  - a. Auto, business meal, travel, and cell phone
  - b. Hire parents as an LLC advisor: Travel to parents for business; pay parents if they are in low tax bracket
  - c. Office supplies, legal fee and more
2. Home office expense deduction by the higher of
  - a. \$5 x 300 SF max = 1,500
  - b. Itemized: gas, water, internet, insurance and unused state and local tax (otherwise any amount over \$10K cap become wasted)
3. Pay the children for LLC work (1099-NEC)
  - a. Teach children business acumen and soft skills
  - b. Teach children to be street smart, not just book smart
  - c. Add LLC entrepreneurship experience into resume, Common App activity list and college essay
4. Set up Roth IRA for minor
  - a. Earned income from LLC (\$6,000 max)
  - b. Teach children the power of compounding interest
  - c. Teach children the virtue of delaying instant gratification
5. Asset protection
  - a. Injured tenant
  - b. Lawsuit from business vendors
  - c. Accident
6. Set up cost \$5,000 and Organization cost \$5,000
7. Income shifting: from high tax bracket to low (or zero) bracket
8. Another source of income as our Plan B (in case of W-2 job loss)
9. Build up the rich people mindset (OPT and OPM: other people's time and other people's money)
10. College campus real estate LLC
  - a. Rent to students
  - b. Child as co-landlord to file in-state tax return
  - c. Parents travel to campus as business deductible

### Top three disadvantages of LLC

1. Privacy concern
2. IRS audit risk
3. Bookkeeping burden