

Laura Cross

Peyton, CO

- Team Builder Surge365
- Multiple \$1,000 Bonus Earner
- Certified Travel Agent
- Expert Rating Certified TA
- Air Force Veteran
- Full-Time Student



Meet the Trainer



Keep More Commissions with Tax Breaks

Lesson 4: Part 3

Hiring Children



Strategy 7: Require a Weekly Time Sheet

In most cases, it's absolutely essential that your relatives fill out a time sheet at the end of each week.

Time Billing

Month: August 2016

Employee: I. M. Child

Date	Activity	Hours Worked
Monday, 7th	Sorted files & made 3x5 cards	4
Tuesday, 8th	Cleaned office & emptied trash	2
Thursday, 10th	Addressed brochures	2
Saturday, 12th	Arranged business trip files	2
"	Typed business letter	2
	Total Hours Worked	12
	Times Hourly Wage	\$5.00
	Total Wages Due	\$60.00

Strategy 10: Get an Employment Contract

Have your lawyer draft an employment contract noting pay rate, duties, benefits, etc. Pay should be based on hours worked.

Strategies for Those Whose Children Are Age Inappropriate, Those Who Just Do Not Want To Employ Their Children, & Those Who Want To Move Money To Friends

4.3 Gifts to Push Tax & Gift Leaseback

Strategy 11: Use Gifts of Property to Push Taxes to Your Lower Bracket Relatives, Age 18+, and Friends

Overview: You gift property rather than cash to a person in a lower tax bracket. The lower bracket person sells the property & pays the tax.

Note: People in the 10%-15% tax brackets (single earners under \$37,650 taxable income/married filing joint under \$75,300) pay zero federal capital gains tax in 2017. However, this income limit includes any capital gains, net of capital & business losses.

Result: The unit (donor & recipient) has more cash to spend because Uncle Sam took less tax from the person in the lower tax bracket.

The Art of
Gifting...



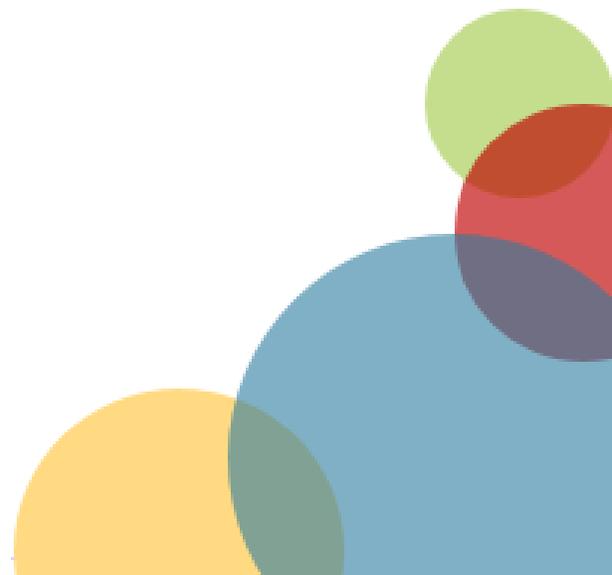


Gift tax rule for singles: 2017, you can give away \$14,000 each year to as many people as you want without worrying about any tax rules. You don't get a tax deduction for the gift but the recipient doesn't have taxable income. It is a free move of your money or assets. This amount will become indexed to inflation.

Gift tax rule for married: You can give up to \$28,000 to any number of people without incurring a gift tax. However, when gifts to one person exceed the \$14,000 threshold, husband & wife must agree that it's a joint gift & a gift tax return must be filed. Gifts \$14,000 or less, no gift tax return needs to be filed. There is also a \$5 million lifetime gift tax exclusion.

Value of the Gift: For gift tax purposes, value of the gift = to the property's fair market value at the date property is transferred.

Basis for Income Tax Calculations: Recipient's tax basis of gift for income tax purposes = your basis. If you transfer a fully depreciated car, the recipient's basis is zero. It's also zero for purposes of computing gain or loss on sale.





Example facts: You paid \$20,000 for a car that's been used 75% of the time for business & is fully depreciated for tax purposes. You are looking to sell the car on open market for \$8,000. You are in the 35% bracket & your 21-year-old son is in 10% bracket.

If you sell: Since car is fully depreciated, all of the \$6,000 business proceeds (75% X \$8,000) are taxed at your 35% for a tax of \$2,100. You also have a personal non-deductible loss on the undepreciated 25% personal portion of car.

If son sells: You transfer title to your son. Under the gift tax rules, he steps in your shoes & pays a tax of only \$0 in his tax bracket, the family unit saves \$2,100.

Why age 24 & over: 2008, Congress passed Kiddie Tax which applies to investment income. 2017, children < 24 can only earn up to \$2,100 of investment income; the first \$1,050 is taxed at the child's tax bracket. Anything above \$2,100 is taxed at parent's tax bracket. Kiddie Tax applies to any child < 24 who is a full time student, unless they are married filing a joint return, or their earned income is over 50% of their total income.

Observation: Congress tried to limit the benefits of "gift lease back" & "gifts to push tax" techniques, but you can still shift \$2,100 per kid each year of investment income & have it taxed to the child at their tax bracket.

