

Advanced Tax Strategy for Small Business Owners:

32 Jobs Your Child Can Perform in Your Business to Give Your Family Tax-Free Income AND a Tax Saving Write-Off

As a business owner, your company can hire your kids, pay them up to \$6,300* per year, and in most cases your business gets a write off that lowers its tax liability.

This strategy works because neither your kids nor your household are taxed on the wages, as long as you follow the rules.

Employing your kids also provides several other benefits

First of all, it allows your children to learn the value of work.

Second of all, it gives them insight into the family business and trains them in entrepreneurship. Finally, it provides you with a nice tax deduction while giving your family another source of tax-free income.

Before using this strategy, please check with your accounting or tax professional. Everyone's financial situation is different and a

qualified CPA can help you identify the right course of action for your business and your family.

Here's how it works

Each child can earn up to the standard deduction allowed by the IRS and not owe any tax at all. So currently you can pay your child who is under the age of 18 up to \$6,300 per year and 100% of that income will be tax-free for them.

And since you get to take that as a deduction on your business, you will get a tax break according to your highest marginal rate. This could amount to as high as a \$2,500 tax break for each child you hire.

Now generally, it's a bad idea to spend a dollar to save forty cents (or in this case, spend \$6300 to save \$2500). You never want to let the tax tail wag the dog. So if you use this strategy and simply let your children blow the money on candy or video games, it may not be such a great deal.

However, there are the ways you can make this tax strategy much more efficient and beneficial to both you and your child.

Ways to Make This Strategy Work Even Better

Since you actually have to pay your child for work performed (and not just say you do), set up a separate bank account for each child to have their "paychecks" deposited. Then have the children use this money for all the things you would normally pay out of your own pocket.

For example, they can now pay for their own sports or music lessons. They can pay for their own airfare on your next family vacation. They can pay for their own clothes or computers or recreation. They can even pay for their own cell phones, including the monthly service. The list goes on.

In this way, your child develops a realistic sense of how much things cost. It also combats the entitlement mentality that giving your child an "allowance" can inadvertently cause. It also gives your child a sense of satisfaction knowing they are self-sufficient with many of their own living expenses.

The benefit to you is that you end up with less out-of-pocket expenses to provide for their day-to-day needs. So the "salary" you pay your child actually ends up being money you would have spent on them anyhow — but now you get a tax break for it.

Of course, like any tax strategy, you must follow the rules to make it work. So if you plan to utilize this tax-saving tip, keep in mind the following IRS guidelines:

- The job must be reasonable for their age. For example, if you hire your 14 year-old to file paperwork, or your 10 year-old to take out the trash you should be fine. But if you try to hire your 5 year-old to operate the warehouse forklift, you'll get into trouble.
- Keep accurate records including a timesheet showing the hours and days your child worked. This justifies the amount of money you give them for their work.
- Document the job or tasks they perform. Having a job description and employment agreement will also help your case should the IRS question you. It's better to have more documentation than necessary rather than too little.
- Pay your child a reasonable amount for the job they do. Whatever you'd pay an employee for similar work is a reasonable guideline. If you are unsure, you may want to do a comparative study to determine industry-standards. Paying them exorbitant salaries for menial jobs will get you in trouble.
- If your business is set up as a corporation, you may be required to pay payroll tax (consult your CPA), but you can

still write off their wages, and they will likely get a refund of all their Federal Tax.

- FICA tax may not have to be withheld on work performed by a child under the age of 18 while employed by a parent in an unincorporated business. However, there is no FICA or FUTA exemption for employing a child in an incorporated business or in a partnership that includes non-parent partners. In these cases, the children are subject to the same rules that apply to all other employees. Th

Remember, these deductions apply only to your children under the age of 18 who are your dependents, and you'll want to ask your tax professional for specific advice for your unique situation.

Employment Ideas for Your Children

Now that you understand the benefits of hiring your children to work in your business, here's a list of possible "jobs" you can hire your children to do:

1. Make coffee, tea or other snacks for office employees
2. Actor or model for TV or print advertising, or as a website model
3. Voice talent for radio advertising

4. Create or distribute marketing materials and brochures, etc.
5. Repair or clean business or rental property.
6. Assist with social media marketing, including posting on blogs, Twitter, Facebook, Instagram, etc.
7. Website design or maintenance
8. Search Engine Optimization for your website
9. Competitive research on internet
10. Product testing and feedback
11. Maintain an email autoresponder for customers or prospects
12. Answering customer support emails
13. Solicit and compile customer testimonials
14. Serve on the corporate board of directors (if incorporated)
15. Research for new product lines
16. Cleaning at office or practice
17. Office building maintenance including light bulb replacement, HVAC filter replacement, etc
18. Landscaping and yard work including mowing lawn, weeding or snow shoveling
19. Wash uniforms and towels
20. Collect rents or other business collections

21. Assist with office work, pick up business mail, shop for supplies
22. Provide bookkeeping and basic accounting assistance
23. Prepare spreadsheets, review invoices and bank statements, etc.
24. Answering the phone for the business
25. Develop/review and monitor business plan for practice (for older children in management training)
26. Provide services during legitimate business dinners or parties (e.g. food prep, setup, decorations, cleanup, etc)
27. Assist with lab work and other clinical duties
28. Perform internet research for business-specific activities
29. Send out birthday cards to clients/customers
30. Send out appointment reminders and or newsletters to customers or prospects
31. Prepare corporate minutes
32. Transcribe audio files or dictations

CONSULT WITH A CPA

Everyone's financial situation is different. Only a professional CPA can help you identify the right course of action for your business and your family.