Fake Law 2025 Mid-Year Tax Strategy Report

1. Tax Estimate & Payment Recommendations

a. **Estimated 2025 Net Income (Annualized)**
   i. Business Gross Income: $132,675.78
   ii. Business Net Income (Jan–Jun): $86,699
   iii. Profit Margin = 65.3%
   iv. *Projected Annual Net Income: ~$173,400*

b. **Total Household Income**
   i. Business (Fake Law): ~$173,400
   ii. Spouse's W-2: $100,000
   iii. *Combined: ~$273,400*

c. **Estimated Tax Liabilities**
   i. Federal Tax: ~$42,000 (includes self-employment tax, QBI deduction, child tax credits)
   ii. Massachusetts State Tax: ~$11,000 (5% flat rate)

d. **Recommended Quarterly Estimated Payments**
   i. $13,000 per quarter (combined federal and state)

2. Red Flags Detected

a. **No Salary or Owner Draws Not Documented**
   i. If elect S-Corp status, this becomes a compliance risk.

b. **Low Deductions Relative to Income:**
   i. moderate expenses observed—likely more room to optimize deductions (i.e. run more expenses through the business).

c. **Potential Personal Expenses:**

i. review 'Medical Expense' and 'Charities & Contributions' to confirm business use.

3. Recommended Tax Strategies

a. **Home Office Deduction:**
   i. If you regularly use part of your home for business, deduct a portion of rent, utilities, and internet.
   ii. *Note – with an LLC this is documented on your Schedule C*

b. **Health Savings Account (HSA)**
   i. Set up an HSA if using a high-deductible plan. Contribute up to $8,300 in 2025 (family limit) tax free.

c. **Solo 401(k) or SEP IRA**
   i. Maximize deductible retirement contributions. Solo 401(k) limit is $70,000 if under 50, $77,500 if 50+.

d. **Consider S-Corp Election:**
   i. With net income >$150k, S-Corp election may save $6,000–$10,000 in self-employment taxes.
      1. By taking a salary of $100k you would pay no self-employment taxes (15.3%) on the remaining $73,400, saving you approximately $11,100 (you just keep this).
   ii. *Note – you can STILL implement this for 2025 by filing the paperwork (this is easy and we can help).*

e. **Employ Your Children:**
   i. Wages are deductible and tax-free up to $15,000 in 2025.

f. **Advance Expense Strategy**
   i. Prepay 2026 business expenses in Q4 to reduce 2025 taxable income.

4. Next Steps

[ ] Review and reclassify any personal expenses

[ ] Measure and document home office space for deduction

[ ] Open and contribute to an HSA if eligible

[ ] Decide on Solo 401(k) or SEP IRA and initiate contributions

[ ] Begin planning for 2026 S-Corp election

[ ] Track tasks to hire and pay children

[ ] Pay estimated taxes: $13,000 per quarter

If you want to discuss any of this further, please shoot me an email and let's set up a time to chat.