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The 3 Best Ways to Reduce Your Tax Bill

Dear Reader,

They've started to trickle in over the last few weeks. Each one a little pang of guilt, a reminder of the work to come.

I'm not talking about the election... or the [new task app you downloaded](#) that's nagging you... or the worrying trend of picnicking in January.

I'm talking about tax forms.

Some of you undoubtedly use accountants, but the majority of people do their own taxes. For most folks, they're a relatively simple task.

However, if you've started making money through side hustles or second businesses, the complexities can add up fast.

I should know. I've primarily been a freelancer for over a decade — so as far as the IRS is concerned, everything I do is a side hustle.

I won't lie — it's annoying. And more difficult. I usually need to set aside a few weekends to work through everything.

But it comes with a few amazing side benefits. Namely, when you make money for yourself, you get access to a number of tax breaks.

Breaks that mean I'm probably paying less in taxes than I would if I were a regular, full-time employee.

So today, I'm going to share a few of the tricks I've learned over the last few years. Each one is entirely legal, above board and on the up and up.

That said, I am definitely not an accountant, and I don't know your individual circumstances. Before changing up how you do your taxes, you should talk to a

professional.

Of course, most tax preparation software these days comes with access to a tax professional, so getting good, personalized advice isn't as difficult — or expensive — as it used to be.

Tax Trick #1: Use Schedule C

Nearly every tax return is a personal tax return. But if you're making money from a personal business or freelancing services, you shouldn't use one of those returns.

You should use a Schedule C tax return, often called a small-business tax return.

Why? Glad you asked.

When you use Schedule C, you get to deduct all your business expenses *before* you calculate how much individual tax you owe.

That's very important. For some people, it won't make a huge difference, but for many others it will. Some people — especially those who are just starting a venture

— might have negative income from their business, after deductions are taken out.

Awesome. You just reduced your tax bill.

Even if you are making great money from your business, you'll reduce the overall income that gets calculated when you deduct expenses via a Schedule C tax return.

To be clear — this all gets done *before* you make any personal deductions on your tax return. It won't change how much of your mortgage interest you can write off or influence your standard deduction.

All that happens after you've deducted expenses from your income. You just get to start your personal taxes at a lower income — which leads to lower taxes.

Even if you've barely done anything with your side hustle, as long as you've got expenses, you can deduct them.

One word of caution: If you get audited, you may be asked to show proof that you actually are trying to earn money with your business. You can't just write off all your movie tickets and claim you're trying to be a producer. You'd better be able to show you're actually

trying to make a movie.

Tax Trick #2: Set up a Home Office

Most people who earn money on the side do so out of their homes.

If you're making enough money that you rent out office space, great — you can deduct all related expenses.

But if you're working from home, it pays to have a dedicated space just for that activity.

Because if you have a home office for your business, you get to deduct a portion of all your housing expenses.

This is usually done by figuring out what percentage of your house is your office. Then you get to deduct that same percentage from all your expenses.

Let's say you have a 1,000-square-foot house and a 100-square-foot office. So 10% of your home is used for your business.

Now you get to deduct 10% of your rent (it's more complicated if you own and have a

mortgage). You can deduct 10% of your electricity... 10% of your gas... your landline if you have one... 10% of your internet service...

And if you have to perform a major repair, you might be able to deduct 10% of that as well. If the repair is in your home office, you might be able to deduct 100% of the cost.

All those deductions can really add up. But you don't get any of them unless you have a home office specifically dedicated to your side business. So create that space.

Tax Trick #3: Know Your Industry

You also can deduct expenses that are directly related to your business.

For instance, I'm a writer. Which means I have to read a lot and I have to be well-informed.

So I can write off all my news subscriptions — to *The Wall Street Journal*, *The New York Times*, Bloomberg. And I can deduct the cost of any books or magazines I buy.

If you use your car for your business — and that can just mean getting to meetings; you don't have to drive for Lyft — you get to deduct a percentage of your car expenses, equal to the percentage of time your car is used for business.

That can be a pretty penny if you had to replace your tires last year or had a major repair bill. Not to mention, of course, getting deductions for gas or mileage.

If you have to schmooze for your side hustle, you get to deduct a portion of the cost of any meals you eat during which business was done (usually 50%, but there are exceptions).

If you decided to take a few jobs last year as a handyman, guess what — you can deduct any tools you bought.

You get the picture.

Submitting taxes through a Schedule C return is, without doubt, a bigger headache.

But when you save yourself thousands in the process — as I do — I think you'll agree it's worth it.

Unconventionally yours,

Ryan Cole

Editor-in-chief, *Unconventional Wealth*

P.S. Everyone has at least one great tax story in them. One time they maximized their refund through ingenious accounting or got completely screwed by a clerical error. Send them our way at feedback@unconventionalwealth.com — as we get closer to the tax deadline, we may run some of the best stories we receive.

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