Before you buy another machine.

Seven checks for owners with a good year, a full shop and a tax bill on the horizon.

The equipment dealer knows your name. So does your accountant. Business has been good, and someone says, “You need a write-off.” But the warehouse is full. What you really want is to keep more choices open for your business, your family and your future.

A purchase can lower taxable income and still leave you poorer. Before turning excess cash into something you do not need, ask whether your plan, people, systems and records deserve attention.

A DEDUCTION IS NOT A REFUND

Assume a $10,000 expense is fully deductible against income taxed at a 32% effective marginal rate.

$10,000 × 32% = $3,200 potential tax reduction
$10,000 − $3,200 = $6,800 after-tax economic cost

The cash outlay is still $10,000. Timing, state law, deduction limits, other tax interactions and the value received can change the result.

Use the seven checks to identify questions, not to self-prescribe a tax strategy. The best result may be a better plan, a stronger company or simply keeping cash available. Not every item creates a current deduction.

MARK THE GAPS

Complete the response sheet near the end. “Needs review” is a useful answer, not a failing grade.

Follow the dollars.

The amount deducted is not the amount saved. These independent examples assume a fully usable deduction at a 32% effective marginal income-tax rate. They are not quoted plan limits or recommendations.

01 Retirement plan: capacity has a cost

$60,000 owner + $15,000 for employees + $5,000 fees = **$80,000** total cash commitment.
$80,000 × 32% = **$25,600** illustrative current income-tax reduction.
$80,000 − $25,600 = **$54,400** net current cash cost after that tax effect. Owner retirement assets remain invested; pretax withdrawals generally face future tax.

02 Eligible HSA: start with contribution room

$4,000 assumed deductible contribution × 32% = **$1,280** current tax reduction.
$4,000 − $1,280 = **$2,720** net cash cost after that tax effect. The $4,000 stays in the HSA subject to its rules.

03 Operating consulting: benefit must justify cost

$20,000 assumed fully deductible project × 32% = **$6,400** current tax reduction.
$20,000 − $6,400 = **$13,600** after-tax economic cost. No business-value increase is assumed.

04 Infrastructure: timing changes the result

$30,000 assumed current deduction × 32% = **$9,600** current tax reduction.
Alternative: $6,000 allowable this year × 32% = **$1,920** current reduction.
$9,600 − $1,920 = **$7,680** difference in this year’s tax effect, not necessarily lifetime tax savings.

★ Before acting: verify deductibility, available income, cash reserves and federal/state interactions. The 32% rate is an assumption, not a bracket or rate applicable to every owner. Do not add these illustrations together.

Make room for your future.

01 Is your retirement plan built for the business you have now?

A familiar plan name can become a default decision. A growing, consistently profitable company may have options beyond the arrangement chosen years ago.

Compare a SIMPLE IRA with a 401(k), including safe-harbor designs, employer profit-sharing and, where appropriate, a cash-balance defined-benefit pension paired with a defined-contribution plan. Greater funding capacity can bring employee contributions, testing, administration and ongoing obligations. A pension requires actuarial work; its capacity is not a universal dollar limit.

NAPKIN MATH. Suppose an approved design permits $60,000 for the owner, $15,000 for employees and $5,000 of plan costs. If the full $80,000 reduces income taxed at an effective 32% marginal rate, the illustrative current tax reduction is $25,600. The business still commits $80,000; pretax withdrawals generally face tax later.

YOUR NEXT QUESTION. Ask for a side-by-side design showing owner benefit, employee cost, fees, cash requirements and deadlines. A deductible contribution is tax deferral, not free money.

02 Could eligible healthcare dollars work harder?

An HSA can connect today's healthcare planning with tomorrow's needs, but eligibility comes before funding.

HSA contributions require qualifying coverage and satisfaction of other eligibility rules. Disqualifying coverage, Medicare enrollment and dependent status can matter. Eligible personal contributions may be deductible, growth can be tax-free, and qualified medical withdrawals can be federally tax-free. Employer contributions count toward the applicable limit; state treatment may differ.

NAPKIN MATH. An eligible $4,000 deductible contribution at an assumed 32% effective marginal rate could reduce current federal income tax by $1,280. This assumes available contribution room and deductibility. It is not a recommended amount or the annual limit.

YOUR NEXT QUESTION. Coordinate the health plan, payroll and tax return. Nonmedical withdrawals can create tax and, before age 65, an additional tax unless an exception applies.

Give surplus dollars a purpose.

03 Have you separated education planning from business deductions?

Surplus business earnings may support a family goal. That does not make the family goal a business expense.

A 529 plan can offer tax-advantaged growth for eligible education uses. Contributions do not create a federal income-tax deduction. State deductions or credits vary. Nonqualified withdrawals can expose earnings to income tax and an additional tax; gift-tax and education-credit coordination can also matter.

NAPKIN MATH. If a hypothetical $10,000 contribution later becomes $14,000, the $4,000 of earnings may be federally tax-free when used for qualified expenses. The example assumes growth for illustration, not a forecast. The original contribution did not erase $10,000 of federal taxable income.

YOUR NEXT QUESTION. Ask which education expenses qualify, what your state permits, and how this fits retirement and liquidity. Check the goal before selecting the account.

04 Would expertise improve the business more than another machine?

When the owner is the sales department, operations manual and emergency hotline, the next investment may be a system rather than steel.

Consider work on clean financial records, documented processes, customer concentration and management depth. These may strengthen operations and transferability. Ordinary and necessary operating consulting or professional fees may be deductible; startup, acquisition, transaction or other capital-related costs may require different treatment. A value-acceleration label alone does not settle the tax question.

NAPKIN MATH. For a $20,000 project assumed fully deductible at a 32% effective marginal rate, the tax reduction is $6,400 and after-tax economic cost is $13,600. The project must earn its place through business benefits; a higher sale multiple or return is not promised.

YOUR NEXT QUESTION. Have the consultant define measurable work and the tax professional classify the invoice before committing. The financial advisor should connect that work with the owner's long-term goals.

Fix the leaks before buying more.

05 Are needed infrastructure projects classified correctly?

A repair, a new system and a major renovation can look similar on a bank statement and very different on a tax return.

Routine deductible repairs differ from improvements that must be capitalized. Depreciation, section 179, bonus depreciation or safe-harbor rules may apply to eligible property, subject to their conditions. Software and implementation costs can have separate treatment. Payment alone may not establish the deduction; placed-in-service dates and business use can matter.

NAPKIN MATH. A hypothetical $30,000 project deducted immediately at 32% produces $9,600 of current income-tax reduction. If instead only $6,000 is deductible this year, the current reduction is $1,920, with later deductions potentially following. These are assumed deduction patterns, not statutory depreciation schedules.

YOUR NEXT QUESTION. Request a written classification and timing review. Buy what the company needs, not what a headline calls a write-off. Preserve invoices and business-purpose records.

06 Are legitimate employee expenses falling through the cracks?

An owner-employee pays a business bill personally. The bookkeeper never sees it. The payroll provider receives no instructions. That is a coordination gap.

For employees, a qualifying accountable reimbursement arrangement requires a business connection, timely substantiation and return of excess amounts. Proper reimbursements generally are not wages. Personal expenses do not qualify, and different rules apply to sole proprietors and partners. Avoid claiming the same expense twice.

NAPKIN MATH. Suppose an owner-employee has $6,000 of documented eligible expenses. Proper reimbursement can restore that $6,000 outlay without treating it as extra wages when the rules are met. It is reimbursement of real costs, not $6,000 of extra profit or automatic tax savings.

YOUR NEXT QUESTION. Have payroll and the tax professional agree on an expense workflow, receipt requirements and entity-specific treatment.

Get the team on the same page.

07 Do your entity, pay and tax projections still fit?

The structure that fit a startup may deserve another look after revenue, staff, ownership or family goals change.

Review entity taxation and owner compensation alongside retirement funding, benefits, state taxes, administrative costs and the qualified-business-income deduction where applicable. An S corporation is not an automatic tax-saving button: shareholder-employees must receive reasonable compensation for services before nonwage distributions. Election deadlines and legal consequences require advice.

NAPKIN MATH. No universal savings number belongs here. Ask for a written current-versus-proposed projection that includes payroll tax, income tax, professional fees, employee effects and cash flow. A tax saving in one column can become a cost in another.

YOUR NEXT QUESTION. Bring the accountant, financial professional and attorney into the same conversation. Do not change payroll or make an election from a checklist.

THE COORDINATION GAP

One professional sees the tax return. Another sees the investments. Who sees the combined cash commitments?

Tax professional

Classify deductions, project taxes and verify eligibility and deadlines.

Financial / plan professional

Compare owner goals, employee costs, liquidity and sustainable plan funding.

Attorney / operations team

Review structure and obligations; turn business improvements into documented action.

Ask for one coordinated projection. Include reserves, payroll, debt service and personal needs before allocating surplus. A deduction can be useful. A sustainable plan is the point.

Your seven-point review.

Select a status for each check. Complete in a PDF app or print and write. This file does not submit answers. Keep sensitive details out. Share only through an approved secure channel.

1. Retirement plan design	Select
2. HSA eligibility and funding	Select
3. 529 / education planning	Select
4. Value-acceleration expertise	Select
5. Infrastructure tax treatment	Select
6. Expense reimbursements	Select
7. Entity and compensation review	Select

My priority question

Who will I review it with?

My next step / target date

Save a copy and reopen to check your answers. Status is not proof of eligibility or savings.

A better question than “What can I write off?”

Ask: “Which choices improve my life and business, after all costs and taxes?”

Use the checklist to start a coordinated review before commitments and deadlines. Do not add the examples together: they involve separate assumptions and may overlap or be unavailable to the same owner. A deduction reduces taxable income; a tax credit generally reduces tax, subject to its own rules. Neither makes an unnecessary purchase sensible.

Sources for professional follow-up

1. Retirement-plan choices (IRS)
2. Defined-benefit plans (IRS)
3. HSA rules: Publication 969 (IRS)
4. 529 programs: Topic 313 (IRS)
5. Business expenses: Publication 334 (IRS)
6. Repairs and improvements (IRS)
7. Accountable plans: Publication 15 (IRS)
8. S corporation compensation (IRS)

Reviewed November 10, 2026. This is a high-level federal overview; state treatment, plan terms and later law changes require verification.

Educational and illustrative purposes only

Educational and illustrative purposes only. This material is not tax, legal or investment advice and does not recommend a particular transaction, plan or election. Examples are hypothetical, not estimates of your savings. Eligibility, limits, deadlines, deductions and results depend on individual facts and current federal and state law. Consult your qualified financial, tax and legal professionals and a retirement-plan specialist where appropriate before acting.