Trucker CFO's Guide to Tax Season

2024 EDITION

TRUCKERCFO.COM

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The Trucker CFO

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The Trucker CFO Team would like to remind all readers of our Tax Guide to please keep in mind that every tax and business situation is unique. In addition, the perspectives shared within our *Trucker CFO's Guide To Tax Season, 2024 Edition* should not be considered as personal tax advice until speaking with a member of the Trucker CFO Team. Our Trucker CFO Team will be glad to answer your questions and consult with you regarding your tax, accounting and business planning needs.

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Welcome to the 2024 Tax Season Guide From Trucker CFO

At Trucker CFO, we understand the challenges of running a small business. It's vital that Professional Drivers, Owner-Operators and Independent Contractors take the time to know what goals you have for the career you have chosen and what you want to accomplish as a business owner. For those trucking professionals who are also business owners, you need to be thinking first and foremost about everything that can impact your business operation. The performance of your business has a direct impact on your life. Your business is part of who you are.

Our Trucker CFO Team believes in providing comprehensive solutions that will assist our clients in building strategies that are designed to keep more money in your pocket and promote the long-term success of your business.

While we're sharing this free download to help provide owner-operators, independent contractors and all professional drivers a strong base of knowledge as we enter another tax season, what we have developed within this download is a resource that can serve you throughout the year – well beyond the deadlines for tax files. We believe that you will find many aspects of this guide to serve as a valuable resource during this tax season and beyond. We have organized the content featured here in a manner that we believe will help you in meeting the challenges of operating a business within the trucking industry.

We also would like to take this opportunity of sharing this guide as a way for you to get to know the approach that our Trucker CFO Team takes in working with our clients. Through what we are presenting here, you will get a sense of our experience within the trucking industry and our expertise on taxes, accounting, business planning and the key considerations that impact business operations within trucking.

As you'll see through this guide, our approach is to present you with the facts as well as helpful insights that are the result of our team's decades of experience working with trucking professionals, especially owner-operators, independent contractors, fleet owners and trucking entrepreneurs. We like to have conversations and ask thoughtful questions as we work with our clients. We want to understand your goals. For instance...

Do you want one truck?
Are you satisfied with a one-truck operation?
Or, do you want to grow a small fleet with six to 10 trucks?
Do you eventually want to grow into one of the big boys and have a large fleet of trucks?

These types of questions give you the opportunity to step back and look at your business – what are you driving toward with each mile on the road. This process also allows our Trucker CFO Team to better understand your operation. Once we have that understanding, we can start to build a plan around your goals that will help you be successful.

Within this guide and across all the communication platforms that Trucker CFO utilizes, you'll see and hear that we talk about planning and the importance of having plans in place across the scope of your business operation. One of the reasons that we stress the value of planning is the impact that having good plans in place can help when it comes to your overall tax liability. Of course, the impact of poor planning is costly throughout the year, especially during tax season.

Our plan with this guide is to provide you with a base of knowledge that helps you examine your needs while exploring the specific considerations impacting your tax situation and your business.

Thank you for downloading our Trucker CFO's Guide To Tax Season – 2024 Edition. We have worked to make it an interactive experience with podcasts and other features. Throughout the guide, we have made it possible to get connected with our Trucker CFO Team. As you can see with this guide, you are not on an island by yourself during tax season. The Trucker CFO Team is here to help.

Getting Started: Taking The First Steps With This Year's Tax Return

If you have been a part of the industry for a few years, especially if you own your own trucking business, you likely have an established process for running your business and filing your taxes. Now here are a few questions to consider:

- Do you handle your taxes yourself and how much time does that take?
- Are you using a local, regional or national tax service that is not familiar with the trucking industry?
- Have you ever had a service with experience in the trucking industry analyze your business operation? If so, has that review included exploring the overall tax liabilities for the company and what you are paying in taxes on an annual basis?

Of course, these questions would certainly apply to those trucking professionals who began their independent operations or trucking businesses in the last year.

Taking those first steps in assembling what is needed for your return can be difficult, especially if you are running a single-truck operation where you are behind the wheel. Putting off those first steps is very easy to do because it seems like we have time at the beginning of the year, but the clock is actually ticking louder each day once we hit January.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
ASKING THE RIGHT QUESTIONS

In today's market, there is an endless line of DIY options that are available. You can also go the local, regional or even national tax preparer route. In working with clients who chose to put off the process and who chose either go the DIY route or use a non-trucking tax preparer, our Trucker CFO Team can point to a seemingly countless number of trucking professionals who cost themselves thousands of dollars. If you don't allow yourself the proper amount of time and you don't have a tax professional who understands the intricacies of the trucking industry, there is a very good chance you will end up paying more than you should in taxes.

Six Common Tax Mistakes Made by Trucking Professionals

In addition to what is often the costly error of putting off working on your taxes and placing that work into the hands of people not familiar with the trucking industry, our Trucker CFO Team has identified six common mistakes that trucking professionals most often make when it comes to taxes.

As we examine the top six mistakes noted here, professional drivers who have made the transition from being an employee to an owner-operator or independent contractor need to pay particular attention. We have found those professionals in this group, especially those who are new to this side of the trucking business, are not as informed as they need to be about the tax laws that govern the industry. Unfortunately, this lack of knowledge can create major headaches.

Employee paychecks have deductions for federal income tax, state income tax (depending on the state) and FICA. FICA is the way we pay into Social Security and Medicare. But when you become an owner-operator, it becomes your responsibility to make these payments yourself on a quarterly basis.

A lot of new owner-operators get caught off guard by the self-employment tax. In their first year in business for themselves, they might not make much money, and for that reason they might think they don't have to pay much in taxes. But if an owner-operator has any self-employment income, they have to pay at least some taxes.

Our accountants at Trucker CFO recommend you set aside somewhere between 20 percent to 30 percent of your net pay. Once you begin working with our CPA's, EA's, and other experienced representatives for truck drivers, we can help you determine how to make accurate estimated payments that are much more closely tied to your actual earnings. This way, you won't owe as much at the end of the year.

Additionally, our trucker tax service professionals work with our clients to set up a budget, and we help them to better understand tax payment schedules – all in the effort to help avoid the six common tax mistakes made by trucking professionals.

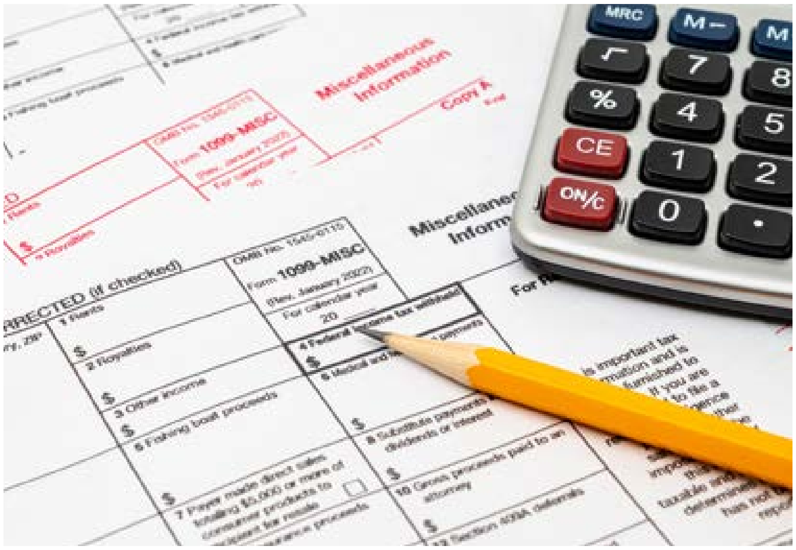
Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
GOING DEEPER ON TAX MISTAKES

MISTAKE NO. 1: FILING W2S AND 1099S SEPARATELY

As a trucker, whether you have a W2 and a 1099 because you have made the transition mid-year from employee to independent contractor or owner-operator, or because you are a part-time employee of a company and an independent contractor at the same time, both of these documents must be filed together as part of your personal income tax return.

Sometimes drivers come to Trucker CFO with their 1099 and tell us they've already filed a tax return on their W2 earnings. Unfortunately, this causes a lot of additional work and expense. Your personal tax return should include all your W2 income and all your business income, as well as any K-1s that come from other pass-through entities.



Never file your personal tax return until a professional has evaluated all income coming from both W2 and other business sources — it can result in penalties and other unpleasant situations.

MISTAKE NO. 2: MAKING C-CORP AND S-CORP ELECTIONS TOO SOON

Our trucking accountants recommend that owner-operators get settled into their respective operations before making a C-Corp or S-Corp election. You want to wait because these types of entities add additional administrative costs. You really need to have six to 12 months of operational history before for a proper evaluation can be made to determine if a C-Corp or S-Corp election would be beneficial to your business.

It should be noted that there are circumstances where you can't wait due to different requirements for motor carriers or other reasons, but it's wise to delay these decisions whenever possible. Consult the Trucker CFO team prior to electing or changing your tax filing status.

Ideally, truckers should start in a company driver position to get experience driving a truck and learning how the costs associated with that truck will impact them. After becoming an independent contractor, it's typically a best practice to remain in IC status for six to 12 months before exploring opportunities as an owner-operator. Once you have established yourself as an owner-operator, the first step with a business entity is most often operating as a sole proprietor or to set up an LLC. All this needs to be done before making the decision to jump into a C-Corp or an S-Corp.

MISTAKE NO. 3: NOT USING THE BEST TAX SERVICE FOR TRUCK DRIVERS

There is no shortage of fly-by-night tax prep services. And, as we have noted here earlier, the vast majority of tax preparation services are not particularly knowledgeable when it comes to all the specifics related to our industry, including deductions that are allowed and not allowed.

The reality is seasonal tax preparers employed by many of the national franchise based tax preparation firms go through three or four weeks of training before they start preparing taxes. There's no substitute for experience in working with taxes and working within a particular industry as complex as trucking.

At Trucker CFO, we firmly believe that as trucking professionals, you should make sure you have a tax preparer who understands tax law and all the deductions available for your business. Each year, laws change and there are updates to the tax code. A good example of staying on top of the continual change is what's happened with the per diem over the past few years. Not only has the law changed for trucking professionals behind the wheel in regard to who can receive per diem, but we have seen changes in the per diem rate and when that rate is effective.

Having a team of professionals who are dedicated to following all the changes that impact what trucking professionals need to know related to taxes is invaluable. A good tax strategy that positions you to utilize the deductions that apply to your specific tax situation can drive thousands of dollars of savings directly to your bottom line.

MISTAKE NO. 4: TAKING A MILEAGE DEDUCTION INCORRECTLY

If you are a professional driver and you choose not to use a CPA that specializes in working with trucking professionals, it's possible that your tax preparer might mistakenly take a mileage deduction for the amount of miles that you drive in a year. Over the years, our Trucker CFO Team has encountered this very situation a number of times. Deducting miles driven is a horrible error, and, sadly, it's one of those errors that can result in an audit flag, obviously causing some serious issues down the road.

MISTAKE NO. 5: OPERATING WITHOUT A PARTNERSHIP AGREEMENT

When you start a business, you have to deal with concepts such as how to split the income among partners. A common mistake, however, is misidentifying a partnership.

At Trucker CFO, we have encountered situations where trucking professionals believe they are in a partnership with their team driver, but they have not yet set up any specific type of business entity with their state. In reality, there is no partnership agreement in place, and, because of that fact, it will govern how that relationship will work come tax time.

When there is no partnership agreement in place, there are a whole host of issues involved in how that income is split, how it is reported on tax returns, and whether other 1099s need to be filed.

Here are a couple of key points to keep in mind related to establishing a partnership as a trucking professional. First of all, if you choose to operate as a partnership with somebody with whom you have a good relationship, make sure you are confident the relationship can make it through difficult times. It's also vital to make sure you have a business entity in place and a partnership agreement.

With this essential framework established, there's a legal document in place that will effectively make the decisions for you and be less likely to result in a fissure in the relationship. Going through the process to put a partnership agreement in place will give you a guidepost if you're unable to work through some issues.

MISTAKE NO. 6: LISTENING TO "TRUCKSTOP ACCOUNTANTS"

It's a time-honored tradition to chat with other professional drivers at truck stops, terminals and customer locations. With texting, Zoom, online chat platforms and social media outlets, professional drivers have more opportunities than at any time in the history of the industry to compare notes and share perspectives.

When it comes to information on taxes and tax preparation, you really need to consider the source. While it's possible, it's highly unlikely the tax advice you are hearing or seeing through these platforms is coming from a licensed CPA with experience in the trucking industry. Remember, everyone's tax situation is unique to that person.

Over the years, our Trucker CFO Team has helped many trucking professionals who made some unfortunate decisions that were the result of listening to a "Truckstop Accountant." Don't make the mistake of taking unlicensed advice. The result can be very costly to you, your family, and your business.

Going Deeper Into The Tax Planning & Tax Preparation Process

IS IT DEDUCTIBLE OR NOT?... THAT IS THE QUESTION

One of the most famous lines that came from the pen of William Shakespeare was the question, “To be or not to be?” When it comes to looking at expenses, our team at Trucker CFO very often hears the tax and accounting version of Shakespeare’s question, “Is it deductible or not?”

From our experience over the years, we have found that the best way to start the conversation about being deductible or not actually begins with these two questions: Is the expense ordinary? Is the expense necessary to your business? These two questions provide strong guideposts when it comes to determining whether an expense is deductible within your business or not.

As you begin to review your expenses for the year, ask yourself is it ordinary in the course of a trucking operation and is it necessary to the course of a trucking operation? Let’s start with the easiest of expense examples... Is fuel ordinary and necessary to a trucking operation? The answer is an obvious yes. There’s very little chance that you will be successful in your trucking business operation if you are not buying fuel.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
DEDUCTIONS & OTHER KEY QUESTIONS

At the other end of the spectrum, can you classify your pet Chihuahua as a guard dog and can you claim the dog’s food as an expense? When we apply the criteria of ordinary and necessary, our Trucker CFO Team says no. That expense does not meet the standard of being ordinary and necessary.

Over the years, what can meet the criteria of being ordinary and necessary for a trucking operation has evolved. A laptop computer, especially for smaller trucking operations, can be a vital tool for your business. Cell phones with high-volume data plans are another necessity for running your trucking business. However, if we’re talking about cell phones, those expenses need to be limited to your business operation. If you have a family cell phone plan, this is where it can become a little complicated and be the source of gray areas, especially if you have family members on the plan who work within your business while other family members on the plan are not involved with the business.

Trucking is one of the most unique industries when it comes to qualifying expenses as ordinary and necessary. Let’s consider the cost of a shower. While we want all the members of our Trucker CFO team to shower, this is not an ordinary expense in the course of an accounting business. The facts are simple: We are not away from home and we all have showers at our homes. Showering is something that can be done by our Trucker CFO Team without becoming an expense for the business.

On the other hand, if you are out on the road and living out of your truck, you still need to shower. While there are fuel vendors with points programs and rewards that include free showers, you may find yourself in a position where you have to pay for a shower. Additionally, if you are out on the road for weeks at a time with your sleeper cab, you may feel the need to take a break from your truck and stay in a motel during your 34-hour restart period. Getting out of the truck for the restart and resting up in a motel is one of those expenses that could qualify as ordinary and necessary.

Want to Learn More?

CLICK TO DOWNLOAD OUR LIST OF DEDUCTIBLE BUSINESS EXPENSES

The questions we see about being ordinary and necessary don't always provide clear-cut answers. In those situations, we will work with our clients on doing more digging into the exact circumstances. At the end of the day, you have to consider what the IRS will be willing to accept. We invite you to review the chart we included in this guide with a list of more than 120 deductible business expenses.

A HARSH REALITY OF TAX REFUNDS

Discussion of tax refunds has become an annual part of tax season. Marketing campaigns have been specifically designed to encourage you to spend your tax refund check. While getting a check in the mail, or receiving an electronic deposit to your bank account is always welcome, the reality of a tax refund is that the Treasury Department is sending you back money that was essentially an interest-free loan you provided to the government during the year.

As we mentioned earlier, trucking is unlike other industries in the United States. There are all types of drivers and classifications. You can be a company driver receiving a W-2. You can be an owner-operator or independent contractor who is a business owner or self-employed. And, as we mention in each of our Trucker CFO podcasts, everyone's tax situation is different.

One of the situations that comes up during tax season is the conversation that often takes place at a truck stop, a terminal or at a shipper location. You'll hear about the driver who got a refund or you'll hear about someone who had an accountant who was less-than-strict about the standards they used regarding deductions.

When we have people coming to us and relaying that their trucking friend was encouraged by their accountant to deduct expenses that we believe would not meet the ordinary and necessary criteria, we take the time to look at their tax situation and explain why we won't take them down the same road on deductions.

Choosing a Business Entity

As we referenced earlier in this guide, the choice of business entity is a major portion of planning your business. Your choice of business entity is also a key part of your tax planning strategy. If you are not familiar with the ins and outs related to business entities, the four most common types of business entities found in trucking are the following:

- Sole proprietorship
- Partnerships
- Limited liability companies (LLC)
- Corporations (C-corps)

Of these four options, the LLC is the most popular choice for owner-operators and independent contractors. The sole proprietorship is another popular choice, especially for small operations.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
BUSINESS ENTITIES, GOING DEEPER

WHAT SHOULD I KNOW ABOUT LLCS?

LLCs are directed at the state level — all 50 states have their own laws that mandate how LLCs operate.

It's important to note that, for tax purposes, the IRS does not recognize an LLC. If you set up an LLC, your default tax filing status will be determined by whether you are a Single Member LLC or a Multi Member LLC. As a Single member LLC your default tax status will be Sole Proprietor. As a Multi Member LLC your default tax status will be Partnership. You then have the option of changing your default tax status by electing to be taxed as an S-Corporation. See mistake No. 2 of our Six Common Mistakes Made by Trucking Professionals for more information on this topic.

Because an LLC can be set up as a single-member or multi-member, and you can have many members within that LLC, it's important to understand what a "member" means for your LLC. Unlike other types of business entities, small trucking operations do not typically have shareholders. The process involves designating yourself a member. From there, you can also have managers who run or operate within the LLC, but these managers are non-owners.

When you set up your LLC, your state will ask questions as you go through its specific process.

The answers you provide to the state will go into determining how you will elect to file your taxes with the IRS code.

RENEWING YOUR LLC

Once you establish your LLC with the state, you'll have one year or less until you may need to take some kind of action with the State to keep your business entity active. Some states require an annual report, while other states require and annual renewal. Other states require a Franchise Tax filing, separate from your income tax filing. Our Trucker CFO Team has considerable experience assisting owner-operators and independent contractors in any state understand what their responsibilities are in terms of the annual refiling or renewing your LLC.

ADVANTAGES OF CHOOSING AN LLC

Forming an LLC has many advantages, including limited liability. Let's take a moment to examine what "limited liability" means and how it can be an advantage.

With a limited-liability company, you can separate your business assets from your personal assets, and that's important, especially if you are involved in an accident that could result in legal action. If there was a lawsuit stemming from an accident, the plaintiff would not be able to come after your home, personal cash, and other assets that you might have, such as vehicles.

Additionally, an LLC gives you a "continuous existence." This means you can plan the transfer of your LLC to future generations of your family. You can also transfer the LLC in the form of a business cell. You can do many things with an LLC that you can't do with a sole proprietorship.

When it comes to the legal implications and protections of any business entity, Trucker CFO recommends you engage the services of an attorney licensed in your home state to discuss your specific circumstances.

RAISING CAPITAL

An LLC also has some tax and legal advantages pertaining to raising capital. At Trucker CFO, we recommend that owner-operators and independent contractors looking to expand their business look into raising capital for the purchase of trucks, trailers, or additional assets that they may need.

The LLC provides a good structure to allow for that and creates some advantages from a tax perspective regarding any capital raised.

DISADVANTAGES OF FORMING AN LLC

The primary disadvantage with an LLC centers around self-employment tax. Unless you elect for your LLC to file as an S-Corp, your LLC will be subject to self-employment tax.

Self-employment tax is how you pay into Social Security and Medicare as an owner of the business entity. If you're a single member, your taxes will be filed on a Schedule C through your 1040. If you are a multi-member LLC, your taxes will be filed on a 1065 form, which is a partnership return. But with both those types of tax filings, you are subject to self-employment tax.

Trucking professionals who have not been owner-operators or independent contractors before and are used to receiving a paycheck as a company driver have seen Social Security and Medicare deducted from their paychecks through the FICA line item. When you become self-employed, the self-employment tax replaces FICA.

If you are making the transition from a company driver to an IC or an owner-operator, you need to understand that the percentage you pay through the self-employment tax will be higher because you are covering both the employee and employer. As a company driver, your employer paid a share of these taxes. When you are self-employed, you must pay both parts. Owner-operators and independent contractors will see the self-employment tax as a separate line item on their tax returns. It will also be a consideration for their estimated quarterly taxes.

SOLE PROPRIETORSHIP

The sole proprietorship is the simplest and most basic business entity. It does not require any state filings or anything specific that you have to do with the IRS, other than perhaps get a Federal Employment Identification Number (FEIN).

Any business earnings you have as a self-employed individual under a sole proprietorship will be reported on your Schedule C and are deductible from your expenses. You will also be subject to the self-employment tax.

A sole proprietorship is the most common business entity because it doesn't require any state business entity filings. The important thing to note, however, is there is no liability protection. If you are sued, both your business and personal assets are at risk. This can be frightening, particularly in the trucking industry.

Because we live in a litigious society, we recommend that owner-operators set up a business entity that provides liability protection. Your expensive equipment needs to be protected, but you also have personal assets, and we want to protect them as well.

DOES A SOLE PROPRIETOR HAVE TO PAY QUARTERLY TAXES?

Any business that generates a profit is subject to quarterly taxes. As with any job, at the end of the year, if you have paid more than you owe, you will get a refund. However, if you have not paid enough through your quarterly tax payments, you will have to make up the difference. If that difference is too great, you will be required to pay estimated taxes. Failure to do so can result in IRS penalties.

PARTNERSHIPS

Husbands and wives have the option to establish an LLC as either a single-member or multi-member LLC. If they want to file as a partnership, they can, but that partnership means you have zero liability protection. If your operation has multiple individuals coming together to start a business, they will not have the liability protection that they would have from an LLC.

One of the advantages of a partnership is that it allows you to have partners who invest in your business but do not have a say in how it is run. Some states offer a limited liability limited partnership in which you can get some liability protection and still have the advantages that come with a partnership. Typically, we have seen that most trucking professionals tend to avoid the partnership election and just choose to go with an LLC.

A husband-and-wife partnership works well for separating the assets of the business between the individuals, and you can also include estate planning. However, as a husband and wife, you can also choose a single-member LLC and accomplish much of the same thing while avoiding some of the additional complications that come with needing to file a partnership return.

Is an S-Corp Right for My Business?

As part of exploring the question of whether or not an S-Corp is right for your business, let's start by asking and answering the following question: What is an S-Corp?

When we talk about an S-Corporation, it is actually a tax election. It is something that we tell the IRS we want to use for a particular entity. Through the S-Corp election, we are telling the IRS that we want to change the current tax filing status of an existing business entity to a different tax status, the S-Corporation. A common misconception is you set up an S-Corp as your business entity. That is incorrect. Your fist set up your business entity (LLC, Partnership, C-Corp, etc.) in the state of your choice. You then elect to have that entity file taxes as an S-Corp.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
GOING DEEPER WITH S-CORPS

By choosing to operate as an S-Corp, it changes the way you are taxed as of the effective date of your election. From that point forward, your business will need to follow the rules of an S-Corporation.

Many of our Trucker CFO clients have founded their business as an LLC. Now, it's important to understand that the IRS does not have a specific tax classification for LLCs. By default, the IRS will tax LLC's in one of two ways: There's the single-member LLC, in which you will file as a sole proprietor. There's also the multi-member LLC, which you will file as a Partnership.

To further set the stage for looking at the S-Corp election, let's first focus on the single-member LLC because this business formation path is very popular for small trucking operations – especially for owner-operators and fleet owners with one or two trucks. With the single-member LLC, your income and expenses are going to be reported on a Schedule C, and the Schedule then becomes part of your personal tax return, covering your business activities for the year.

When we look at those people who are part of a multi-member LLC, this business structure calls for you to file as a partnership. The multi-member LLC requires that the partners file a separate tax return, which will generate what are called K-1's. Those K-1 filings then flow through to your personal tax return. This is how your business income is reported on your taxes. You do not pay income tax at the Partnership level. The income is taxed at a personal level.

For both of those types of LLC entities, it's important to understand that you are subject to self-employment tax in addition to income tax. As a reminder, self-employment tax is the way you pay into Social Security and Medicare. To get specific for a moment, self-employment tax is going to be calculated at roughly 15 percent of the net income from either your Schedule C or your partnership tax return.

BENEFITS OF CHOOSING THE S-CORP ELECTION

One of the main benefits of the S-Corp election is in the tax savings that can be realized by moving your method of compensation from a self-employment to an employee model with regular payroll distributions. We must note here that choosing the S-Corp election is most effective when your company reaches a certain level of annual income. As we noted, single-member and multi-member LLCs must pay self-employment tax to cover Social Security and Medicare. With the S-Corp election, your company is set up with a compensation structure that pays a reasonable salary to owners. Within those regular salary payments, Social Security and Medicare is deducted. The result of facilitating the compensation to owners of a company rather than the total of your business income is that it typically can lower the tax liability for businesses with $70,000 or more of business income.

Let's say your business annually sees an income of $100,000. Your self-employment tax liability at roughly 15 percent for $100,000 of business income would be $15,000. That $15,000 of self-employment tax is then added to your income tax liability to determine total federal tax.

Conversely, if you take the proper steps to operate as an S-Corp, that $100,000 of income is no longer subject to self-employment tax. Instead, you are required to take a reasonable salary as an owner of the business. "Reasonable" is subjective. There is no table published by the IRS that states what your salary needs to be. We oftentimes see situations where the limits are pushed on a truly reasonable salary. The simplest way to determine reasonable compensation is to ask yourself what is the low end of what you would pay anyone else coming into the business as an employee to do the employee-based tasks of your job. In your case, you are a business owner first and a truck driver second. The reasonable salary needs to be for the truck driver portion of your duties.

Let's look at the numbers... Assume you pay yourself a reasonable compensation of $40,000 as a properly elected S-Corp, instead of paying self-employment tax as an LLC (filing as Sole Proprietor or Partnership) on $100,000 of income. Rather than paying $15,000 of self-employment tax on the $100,000 of income in our example, Social Security and Medicare (FICA) is knocked down to $6,000, which is 15 percent of $40,000.

KEY CONSIDERATIONS WITH THE S-CORP ELECTION

Electing to operate as an S-Corp means that your company must have a payroll, and that payroll needs to be effectively managed. For any of our clients using the S-Corp election or considering an S-Corp, we strongly advise them to engage a payroll service to make certain all of the bases are covered in terms of maintaining timely, recorded payments and keeping up with the required filings, including payments to Social Security and Medicare.

While there is a cost to payroll services, if the income levels of your company stay above $70,000 annually, the company will likely still realize more savings than utilizing the self-employment model found within the LLC. If you choose the S-Corp, you will be filing a business return in mid-March prior to filing your personal return in mid-April. That second tax return represents a major change for sole proprietors and single-member LLC owners. You can no longer just handle your tax filing responsibilities with your personal return.

Per Diem is also impacted by the S-Corp election. As an LLC filing Sole Proprietor or as a Partnership, you are able to take the per diem deduction on the tax return by simply multiplying the days away from home by the appropriate daily rate. As an S-Corp, you are no longer eligible for the deduction in the same way. However, you do qualify, as an employee of the business, for per diem reimbursement on your paycheck. This is no different than the way other trucking companies offer per diem plans to company drivers. For you, as an owner of a business, it is a good way to take a tax-free distribution from the business. It is important to consult with qualified professionals concerning this change to the way you take per diem.

There are other key considerations regarding making a move to an S-Corp for your business, including the time limit on when you can make the S-Corp election during the year. Also, it's important to note that the S-Corp election is not something you can choose for a particular tax year and then drop it. While there are circumstances where changes are allowed, the S-Corp is intended to be a permanent election for your business. If you decide to revoke your S-Corp status, or if the IRS revokes it for you due to noncompliance with S-Corp rules, you are not allowed to re-elect S-Corp status for a minimum of five years.

The decision to make the S-Corp election is one that should be carefully weighed and analyzed. As we noted, one of the key factors is your annual net income level. If you are below $70,000 net income, the cost and effort involved to switch and then maintain what is necessary to operate as an S-Corp may not be justified at this point in the life of your business.

Our Trucker CFO Team has extensive experience working with clients who have gone through the process of examining the benefits and the costs related to the S-Corp election. Do not let the complexities of the S-Corp election scare you away from possibly saving tens of thousands of dollars over the years of your operation. Our team is always happy to walk any trucking business owner through the considerations that come into play with the S-Corp election.

The Value Of Properly Handling Your Paperwork

How important is it for professional truck drivers to master the art of effectively handling paperwork? Over the course of your everyday work as a trucking professional, you are required to handle different forms of paperwork. In the electronic age, some of what used to be actual paperwork has moved to a digital format. Regardless, whether it's a log entry or working with bills of lading, it's still part of the daily process for running your operation and getting paid.

For owner-operators and independent contractors in the trucking industry, your daily responsibilities go beyond being behind the wheel and keeping the American economy moving. When we think about it, the responsibilities involved in a career as an owner-operator or independent contractor merely begin with driving. One of the first lessons owner-operators and ICs quickly learn is they are operating a business, and there are different aspects to running a business that requires attention to achieve success as a business owner.

One of the most important things owner-operators need to do, which is certainly one of the more tedious and less fun parts of their trucking business, is learn how to manage and keep track of all the paperwork that comes from running that business.

Owner-operators and ICs need to understand that every piece of paper that results from running that business and involves money going in or out of your pocket needs to be maintained as part of your records. The majority of this type of paperwork for owner-operators and independent contractors comes in the form of receipts. If owner-operators and ICs do not have a good system for keeping and managing those expense receipts, as well as managing that paperwork for your business, you can ultimately end up seeing money coming out of your pocket in the form of an increased tax liability.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
STRATEGIES FOR PAPERWORK

KEEPING PERSONAL & BUSINESS FINANCES SEPARATED

There are a number of responsibilities related to properly handling the paperwork within your trucking business. One of the first items that comes up quite often for new entrepreneurs learning to run a business is that they are also working with their personal finances as well. The reality here is that, if you don't separate business finances from personal finances, you can run the risk of creating some significant issues and serious headaches.

Unfortunately, many owner-operators and independent contractors learned the hard way. In 2020, this was certainly true as owner-operators and small trucking business owners tried to get PPP loans and participate in other programs that were available to them through the CARES Act. But even as we put the pandemic further behind us, the importance of separating personal and business expenses is no less important.

It's highly important that owner-operators are always working to run their business like a business, and one of the first steps is to have separate bank accounts for your business operations and your personal activities. It's important to remember that, from a tax and accounting perspective, the way we treat business expenses and the way we treat personal expenses are very different.

IMPORTANCE OF MAINTAINING & REVIEWING PRIOR TAX RETURNS

When we begin working with new clients at Trucker CFO, we will request a copy of the prior year's tax return. Through our review of your previous year's return, we can make sure that we have all of the information necessary on any carry-over items, such as depreciation or prior year losses, if that's something that applies.

The review of the prior year's return, in fact, is a required practice for our Trucker CFO team. Whether you're a long-time client of Trucker CFO or coming to us for the first time, we recommend that you download and keep an electronic copy of all prior year tax returns and any supporting documents that are part of your filings – whether that be a 1099, W-2, mortgage interest, etc. Those kinds of documents are items that you should keep with your records, which are also helpful to our team as we work with you.

From time to time, when we are looking to do a review of a prior year's return, we encounter situations where a new client might not have access to their previous return for whatever reason. In those situations, there are things that we can do, such as pull a transcript from the IRS.

While we can get copies of anything that has been submitted to the IRS, it's important to understand it's not always a silver bullet, and not all information is provided to the IRS. If you drive for a motor carrier that doesn't report a 1099 or other items pertaining to your tax situation, for instance, there are many things that may not be on an IRS transcript – creating information gaps that could prevent us from getting a full and complete picture. But there are some steps we can take to help out in that situation.

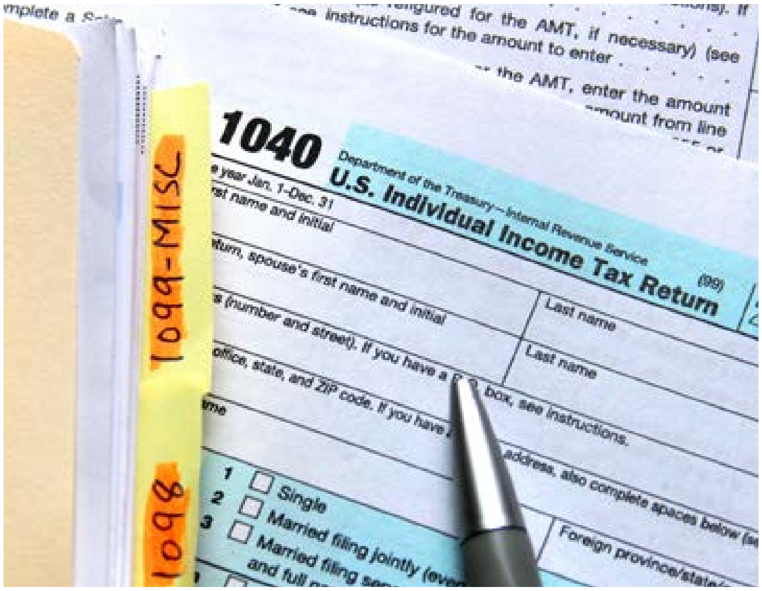
BEST PRACTICES FOR FILING & PRESERVING RECEIPTS

The care you take in filing away and preserving your receipts is a critical aspect of properly handling paperwork for your trucking business. One point to keep in mind is that fuel receipts are quite heat sensitive and they will fade over time. The easy path is to take the receipts you receive at the pump and throw them up on the dash or throw them into a bag. As with many things, the easiest path is not always the best path. With receipts, you need to keep in mind that – during the majority of the year (depending on the location of your truck) – a closed cab that is not idling or running A/C will heat up quickly and your fuel receipts will begin to fade.

The best practice is to digitize your receipts, or least get them into temperature-controlled storage until you can get them scanned. Unfortunately, we've encountered situations where we have been unable to read receipts because they have faded. Getting your receipts properly stored and then digitized can save you a lot of heartburn and money. As you work with Trucker CFO and send in copies of your receipts, they are digitized and made available to you through your secure client portal. We always recommend you keep the original receipts in safe storage for up to five years. This is needed in the event you are audited.

IMPORTANT NOTES ON 1099 FILINGS

One of the biggest reasons we place an emphasis on the collection of receipts and overall good recordkeeping is the impact it places on the bottom line of your business. While our main focus has been on paperwork related to expenses, it's equally important to have a strong recordkeeping process with the income of your business. Oftentimes, owner-operators or independent contractors will rely on 1099s you receive at the end of the year to validate the income you have received for tax purposes.



In recent years, we have seen motor carriers make changes to their operational set-up in which they are no longer required to send a 1099 to the owner-operator or independent contractor. In that particular circumstance, those business owners need to have records of the income they have received. If you are with a motor carrier that does not provide you a 1099, you are going to need an alternative method to account for your annual income.

Your settlement statements provide an ongoing record of your income, and a summary statement of your settlements for the year could provide the record for your annual income. For some owner-operators and independent contractors who utilize factoring, your annual records could include factoring reports and your load reports from your load boards. Also, if you are sourcing your freight on your own, you'll need to have some process in place for tracking that revenue and the receipts you have received.

When it comes to 1099's, one of the important processes we go through as we get into tax season is taking a client's 1099 and reconciling that record with the source documents. Whether that be settlements or factoring reports, we take those source documents and balance it to the 1099s, to make sure that we are reporting all income. When those source documents do not balance to the 1099, work to identify the issue, correct it and ensure the most accurate tax return possible.

Our process in working with your paperwork is very thorough. As we get into a relationship with new clients, we ask if they have any back bookkeeping that needs to be done, so that we can get ahead of this situation before tax season. We want to ensure a timely filing of the various tax returns that they may need to file, and also to ensure that we are able to minimize their tax liability.

At Trucker CFO, we have seen over the years how accurate recordkeeping can be a significant tool in the effort toward minimizing your tax liability.

NOTES ON RECORDKEEPING

There are many items you need to keep track of through your recordkeeping. One example is a cell phone bill. The statements of paying cell phone bills are often tracked on the cell phone provider's website. To be more specific, you need to log in to those services and download a PDF copy of that cell phone bill for your records.

Some operational costs can be a little more complex when it comes to being a deductible expense. Truck maintenance is one of those examples. Oftentimes, the repairs for those trucks can be of a certain dollar amount or type of repair that will require us to treat it differently for tax purposes. So, throughout the year, you need to highlight those repair-related bills in a manner that you can come back to them. In addition to repairs, one fact of life in the trucking industry is that equipment depreciates over time. At Trucker CFO, we have the expertise and experience needed to properly track truck depreciation and repair expenses.

BEWARE OF TAX SERVICES THAT PROMOTE MILEAGE DEDUCTIONS

If you are using a tax preparer or if you talk to a tax preparer who is trying to make you, as a truck driver, take a mileage deduction on your tax return, you need to turn and run the other direction. As we have detailed earlier in this, there are many deductions available to you as an owner-operator or fleet owner, but you cannot deduct the number of miles you drive your truck. It is NOT allowed. When you work with Trucker CFO, we will review your business operation to make sure you're taking actual, allowable expenses when it comes to the costs related to operating your truck and your business.

ADDRESSING PER DIEM & FOOD EXPENSES

Owner-operators and independent contractors are eligible for per diem – a daily expense covering meals for the days you are out on the road. When it comes to per diem, you don't need to keep your food receipts. In fact, we tell our Trucker CFO clients that we don't want them submitting food receipts to us.

When it comes to per diem, there are a number of tools out there that drivers can use to help you track how many days you are out on the road, away from home. One of the best ways we found is for drivers to download the information from your ELD. If you can download the info from your ELD, it can serve as a very good record of where you have been and how long they were away from home. If you ever audited by the IRS, the ELD downloads stand as very good support because those records justify your per diem claim – demonstrating that you were away from home on business, which will then qualify you for the per diem.

To qualify for per diem deduction, you must have what the IRS deems to be a tax home. The simplest way to determine if you have a tax home is to ask if you make recurring payments for an apartment, condo, house, or other place of living. Ideally, you will have documentation of related to the contractual obligations of this living arrangement. Alternatively, you can show documentation demonstrating ownership of a property.

It is also important to note, if you have elected to file as an S-Corp, you can no longer claim per diem via your tax return by multiplying the number of days you spent away from home by the daily rate. Instead, you must process a per diem reimbursement via payroll.

A QUICK WORD ON PAPERWORK & AUDIT SITUATIONS

As you saw, we just mentioned the word audit, which can be quite alarming for any business owner, or any taxpayer for that matter. We're about to feature a section of this guide dedicated to audits, but we would like to take a moment here to address recordkeeping and audits – noting the amount of time that you're going to hold on to all of this information.

When it comes to recordkeeping and holding receipts, we recommend that our clients keep these records for five years from the date they filed their tax return, and that should protect them in the event that they are audited in the future. If you are called into an audit situation, these records can be very easily handed over to the IRS so that they can do what they need to do. Accurate recordkeeping, which includes a commitment to good bookkeeping, will end up minimizing any future changes or restatements to those tax returns.

Discussing The Topic of Audits

LET'S TALK ABOUT AUDITS & RED FLAGS

In the game of "Would You Rather?" few people would rather be audited by the IRS than suffer a different unpleasant fate. As we have detailed over the past year on the Trucker CFO Podcast and our appearances on SiriusXM's Road Dog Trucking Radio through the Dave Nemo Show, the IRS is a sleeping giant that is ramping up enforcement with the addition of thousands of agents. As we'll discuss here, audits can be the result of a random selection. However, there are a number of key areas that can increase the likelihood that you will be chosen for an audit. Once again, what we are highlighting in this section underscores the importance of having a tax preparation resource who understands your business, the trucking industry and the tax code.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
STRAIGHT TALK ON AUDITS

HOW DOES THE IRS CHOOSE WHO GETS AUDITED?

The IRS computer system looks for specific triggers, or red flags, when processing tax returns. The agency's software examines different sections of your tax return and it compares these sections to earnings reports they have received from companies you worked with. If they find discrepancies, they flag these returns for audits.

Now that we have set the table on the basic process, let's take a look at some common red flags for the IRS...

BEING SELF-EMPLOYED

First of all, you should know that the audit rate among the general population is 0.6 percent. For small-business owners such as independent contractors and owner-operators, that rate jumps by four times to 2.3 percent.

REPORTING LOSSES THREE YEARS IN A ROW

If you continually report losses on your business income, the IRS will wonder how your business is able to continue if it never makes money. If you have three years of losses in a row, that third year of reported losses can result in an audit flag.

NOT REPORTING ALL YOUR W2 AND 1099 INCOME

When you make the change from being a W2 employee to being an independent contractor or owner-operator, your responsibilities as a taxpayer and the way you pay your taxes changes as we have noted in an earlier section of this guide. Just a reminder, ICs and owner-operators are self-employed, and you don't have an employer that is making deductions for you as a company driver. Instead, you are responsible for paying your taxes on your own, once per quarter.

If you receive 1099s and do not claim them on your taxes, the IRS will know, because the company that issued the 1099 submits a copy to the IRS as well. At Trucker CFO, we have encountered situations where professional drivers, in that year of transition from being an employee of a carrier to becoming an IC or owner-operator, falsely believe that 1099 earnings need to be reported separately from their W2 earnings. What you earned as a company driver and what you earned as a 1099 contractor/owner are part of your total earnings for the year. Each needs to be reported on your return. If you don't report all of your 1099 income to the IRS, they will know and it's a red flag. In that situation, you can expect the IRS will send you a letter asking you to correct the discrepancies.

USING CRYPTOCURRENCY

The IRS is looking closely at purchases and sales of cryptocurrency. Apps such as Robinhood and other ways of purchasing stocks and cryptocurrency are easy for truck drivers to use, and thus are becoming a more common part of tax returns. Cryptocurrency has been in the news over the past year, and it's coming under increased scrutiny. If you are a trucking professional and you have also been involved in cryptocurrency, you should seriously consider engaging an experienced tax professional to work on your return.

CLAIMING DEDUCTIONS IN ROUND NUMBERS

The odds of your expenses being exactly $100, $250 or $500 are unlikely. These round numbers make it look like you are making up the amount. As we noted in the handling paperwork section of this guide, you need to keep receipts and report your expenses in the amount that is on the receipt.

WHAT DEDUCTIONS ARE ALLOWED?

As we discussed in a previous section of this guide, it can be challenging at times to know what you are allowed to deduct as an expense on your taxes. When it comes to trucking, certain deductions may or may not be allowed which would not be allowed in a different industry. One of the deductions that we did not specifically discuss in the previous section is the home office, and, given that many of today's small trucking operations can utilize a home for an office, this is a key consideration.

You need to understand the standards for qualifying for a home office deduction are very high. Your home office has to be dedicated 100 percent to business use. If you use your office to pay personal bills or surf the internet, or if you store personal items in it, your deduction for your home office will be disallowed.

In trucking — an industry where the business owner is often behind the wheel and out on the road for 320 days a year — it is hard to claim a home office expense. But if you are a fleet owner and you use your office every day helping with dispatch, etc., you are more likely to qualify for a home office deduction.

DON'T FALL FOR TAX AUDIT SCAMS & THE IMPORTANCE OF HAVING GOOD TAX PREPARATION

IRS scams have been around for decades and the people behind these criminal activities are becoming more sophisticated each year in their methods to attempt to take your money. Here are a few tips to remember when it comes to audit notifications from the IRS.

First of all, without first mailing you several notifications of tax liability, the IRS will never call you to tell you that you owe money, that you are being audited, that your assets are going to be seized. If you are being audited, the IRS will send a letter in the mail on IRS letterhead. If you do receive a notification from the IRS that there is an issue with your tax return or that you are being audited, we invite you to contact our team at Trucker CFO.

As we have noted throughout this guide, running your business well and responsibly helps mitigate the risk of an audit. You also need to remember that doing everything right doesn't totally eliminate the possibility of experiencing an audit. As we stated earlier in this section, audits can be done at random, and perfectly legitimate actions can trigger an audit.

Once again, this is why having a solid business plan and a knowledgeable tax accountant who is well-versed in trucking issues is the best way to operate. In situations where audits arise, our Trucker CFO Team has experience working with the IRS, and we will walk with you every step of the way until the situation is resolved.

Tax Preparation vs. Working With Tax Resolution Issues

While we have other resources in place to assist you in addressing tax resolution issues, our Trucker CFO Team wanted to take this moment following our discussion of audits in this guide to briefly touch on the topic of Tax Resolution.

Throughout the year, we receive calls at Trucker CFO from owner-operators and independent contractors asking us about issues with outstanding tax debts. The most common situations that drive these questions are taxpayers who still owe the IRS from a previously filed return as well as people who have failed to file a tax return.

Both of these situations (along with some others) fall into the category of Tax Resolution. One way to define Tax Resolution is that it's the process of addressing outstanding issues that will clear the slate and get people back into the good graces of the IRS.

In our experience, we often have owner-operators and independent contractors coming to us with some sort of tax problem. The issue could be limited to the prior year, or it could be an issue involving multiple years. For example, they could have filed a tax return, had a balance due and not have the funds to pay what they owe.

Want to Learn More?

CLICK TO LISTEN TO OUR PODCAST:
DON'T FALL FOR MAGIC WAND OFFERS

When it comes to Tax Resolution issues, we've seen a variety of situations come across our desks, and we've seen a lot of crazy things happen with people over the years. One memorable situation that comes to my mind is a client who had actually been in hiding from the IRS for 10-plus years. He had spent some time up on a fishing boat. He had not filed his taxes for 20-plus years. Ultimately, he finally had enough of hiding. He called Trucker CFO and we helped him through to get things resolved with the IRS.

While that is an extreme example of Tax Resolution at work, the past couple of years as we have dealt with the COVID-19 pandemic have created situations where people simply don't have the funds. People are always going to put other expenses before their taxes. When it comes to prioritizing expenses, paying what is owed is taxes takes a back seat to putting food on the table, putting kids through school or paying the rent.

The reality is that there are a number of different reasons why people run into situations that put them in a position of needing tax resolution. The harshest reality of these situations is that they won't magically disappear. And, if you ignore them, they will only get worse over time. Even hiding out on a boat for a decade, as we noted here, doesn't work.

DEVELOPING AN EFFECTIVE TAX RESOLUTION STRATEGY

Are you in a situation where you owe a balance on past tax filings? For whatever the reason, are you someone, or do you know someone who has not filed tax returns for previous years? As we mentioned earlier, the IRS is ramping up enforcement with thousands of new agents following many years where little or no action was taken on tax debts and people who did not file tax returns. This lack of enforcement was especially during the COVID pandemic.

What we are saying is this: If you owe the IRS a past due balance or if you have not filed your taxes in previous years, you can expect the IRS to be on your doorstep and taking measures to have you pay up. While Tax Resolution is a deeper topic than what we will share in this guide, we wanted to provide some basics.

At Trucker CFO, we like to break our Tax Resolution engagements into three different stages. The first one being discovery, the second one being the filing of the tax returns and the third one being the resolution.

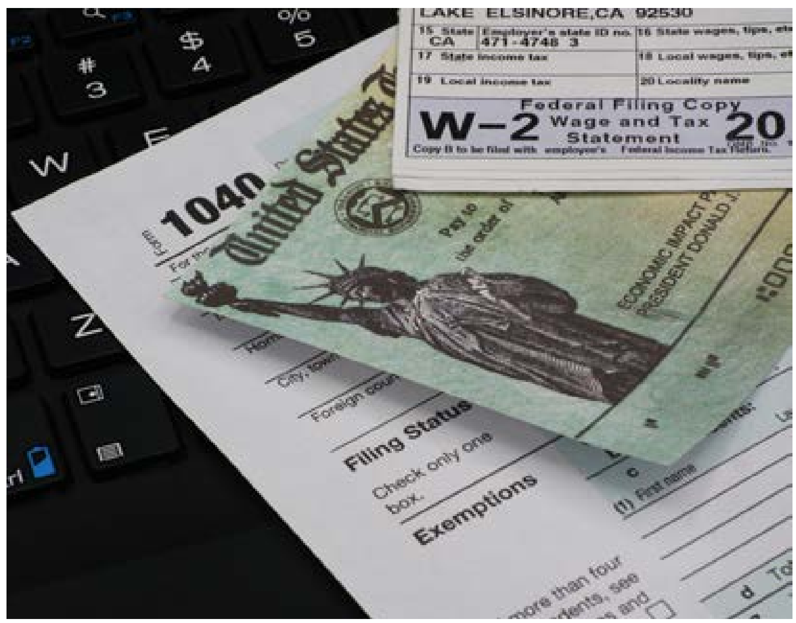
When we look at the discovery, obviously, it focuses on our starting point, which will help us in determining what Tax Resolution approach to pursue. One of the things that we do with every client is we obtain a Limited Authorization. Through Limited Authorization, the Trucker CFO Team can contact the IRS on our taxpayer's behalf, and, to find out what the problem is, we do what's called a compliance check.

When we call the IRS, we're going to find out a number of things. Number one, are there any balances due? Number two, are there any unfiled tax returns? Number three, if there are any unfiled tax returns, we will order the wage and income information, which is the W2's 1099s. This is the information needed for us to file the tax returns. For number four on our list, we'll find out how much longer does the IRS have to collect?

These are all tools for us to help to figure out the resolution side of things. Once we have the compliance side of the picture, we now know which tax returns need to be filed. We have found that the majority of our Tax Resolution clients have unfiled tax returns. This is an issue because the IRS won't talk to us until we have all tax returns filed. After we've spoken with the IRS and we have completed our compliance check, we can then put together a plan of how we're going to get this case resolved.

In some cases, people with tax resolution needs will come to Trucker CFO without their 1099s, W2s or other paperwork that would go into the preparation of a tax return. As part of our compliance check with the IRS, if there was income that was reported to a taxpayer's social security number, we would be able to pull the W2s and 1099s. If the taxpayer was using an EIN or a business name, we have that information available to us. We can also request the 1099s that were issued to that business name as well.

In some extreme cases, we may need to rebuild the records, and we can do that from bank statements. We can also use industry standards and IRS transcripts. We work with our Tax Resolution clients to come up with the information that's needed legally and ethically based on experience that will help the taxpayer prepare that tax return.



What most people may not know is that not everything is sent to the IRS. You have your information from the motor carrier, such as income that is sent to the IRS. That's what shows up on a W2 or 1099 in the event that you're an employee company driver or owner-operator/ independent contractor who is leased with a carrier.

Generally speaking, if you are a company driver, you're going to have a W2 that obviously is going to have tax withholdings. But for owner-operators and independent contractors, you have information that includes your fuel expense and truck payments and interest and all of these operational expenses. The collection of records for those items falls back on the owner-operator or independent contractor. At the end of the day, it's up to the taxpayer to provide and justify that information when it comes to the tax return.

One of the benefits of working with Trucker CFO, a firm that specializes in the trucking industry, is we know what should be included on a trucker's tax return. With most expenses found in the trucking industry, we are able to go back, if needed, and research costs for expensed items based on the historical pricing data that is available from the market. As an example, we can review the fuel prices during a particular time period that we are trying to reconstruct when that is necessary. We have found that there are unique certainties within this industry. For instance, every owner-operator and independent contractor out there deals with the heavy use tax. It's also noteworthy that our Trucker CFO Team has yet to speak with a driver who didn't know how much his or her weekly lease payment was.

ADDRESSING TAX LIABILITIES DISCOVERED IN PREPARATION PROCESS

In some cases, Tax Resolution can come into play during the annual tax preparation process. At Trucker CFO, we have seen situations, particularly with first-time clients, where they may be sitting on an existing tax liability. We've had other situations where we have discovered through the process of preparing a return that the client now owes a large tax liability and is unable to pay it all at the time of filing their taxes.

When these situations arise, the first step is to make sure that the taxes are filed with the IRS. Most people know that the IRS has penalties for filing your taxes late, or not filing them at all. When it comes to the late-filing penalties, it's five percent for every late month after the deadline, with the maximum penalty capping off at 25 percent above your existing tax liability. Our first step in addressing tax resolution with clients in these situations is to make sure that the client gets the return filed on time with the IRS.

From there, we will begin to take a look at the resolution. In moving forward, we're going to focus on the best way to keep the IRS out of the client's bank account. We work to help our clients to be able to go down the road and continue to run their business without looking over their shoulder at the IRS.

In these situations, you'll see some of the Tax Resolution options that come into play. It could be an installment agreement. It could be currently not collectible. It could be penalty abatement. It could be the offer in compromise. Those are all different options that we can utilize once we determine that a client has tax balances due.

NO NEWS ISN'T NECESSARILY GOOD NEWS

When it comes to outstanding tax liabilities with the IRS, the COVID pandemic years and getting back to a new normal as we have noted may have given people who have accrued large tax debts a false sense of security. Some people may even believe that their tax problems have magically disappeared. Collection enforcement by the IRS has dropped off over the past couple of years, but we need to look at the facts here.

First of all, the IRS, due to budget cuts by Congress, has not had the resources for collection enforcement that they have had in previous years. The arrival of COVID-19 and the global pandemic also created another challenge for collection enforcement. But, for anyone thinking that their tax liability issue is solved because they haven't heard from the IRS, you need to understand that's just not the case.

Collection enforcement is starting to ramp back up. Nearly 90,000 agent positions are being added to the IRS through federal funding, and one of the focus points for these agents will be balances owed by taxpayers and returns that have not been filed.

In 2023 our Trucker CFO Team saw an increase in requests to work with our Tax Resolution Group. The facts are clear. The IRS is coming, and, whether it may be unfiled returns, outstanding balances or whatever the case might be, these issues cannot be ignored. If you are in a situation where you have an outstanding tax liability, now is the time to be proactive and address it before IRS enforcement comes knocking on your door.

TAX RESOLUTION SERVICES & PRICING

How much do Tax Resolution services actually cost? This is one of the most important questions people who have tax resolution issues will ask us. Recognizing that you must address any outstanding tax issues is a vital first step toward saving yourself time, trouble and money. As we have noted, the IRS, in most cases, does find those people who have issues that have created tax debts and penalties. Putting your head in the sand won't make it go away, and it will simply become more expensive and more painful over time.

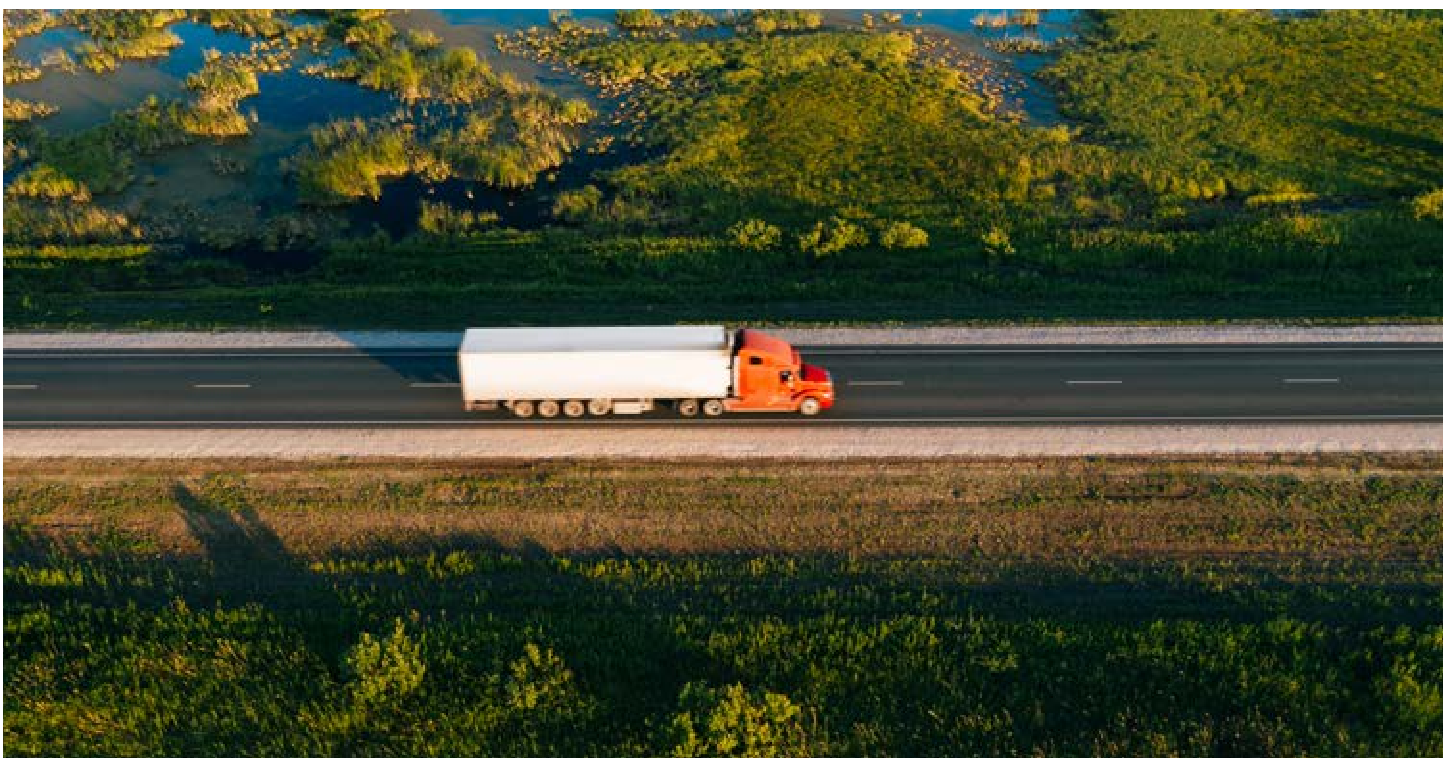
When it comes to what we charge at Trucker CFO for our tax resolution services, we have a process in place that is very up front with our clients. As we noted, we go through a discovery process. Once we have pulled transcripts and looked over the available information, we'll know what it will take to resolve a given case. We'll have a plan of action that will allow us to provide the client with a quote.

From there, we generate a letter of engagement. Once the letter of engagement is signed, we go to work on behalf of our client to represent them through the tax resolution process. By taking this approach, both our clients and the Trucker CFO Team know exactly what will be charged and what it will cost to address those particular tax resolution needs. When it comes to what we charge at Trucker CFO, there are no surprises or hidden fees.

One of the sad realities of Tax Resolution is the pain that can be caused by the massive marketing campaigns on radio and TV that promise a fix that sounds quick, easy and cheap. The majority of these ads attempt to make you believe your situation can essentially disappear with the wave of a magic wand. The reality of using these services is most often very different. In our experience talking to people who have bought into these magic wand offers, we hear the stories of people who spent thousands of dollars on one of those too-good-to-be-true offers, ultimately seeing no movement on resolving their outstanding tax liability with the IRS.

If someone is pitching that they can make your Tax Resolution issues simply disappear when you sign up with them, you are very likely headed down a bumpy and bad road that will eventually become a dead end.

As we always say at Trucker CFO, everyone's tax situation is different. The services that you'll need for Tax Resolution will be unique to you. With that noted, we are very familiar with the pricing structure in this market and very rarely have we been beaten on our fees. The fact is that the rate structure for what we charge for Tax Resolution work and the service our team at Trucker CFO provides delivers lasting value and long-term savings for our clients.



What Is Your Plan For Tax Season & Beyond?

At the heart of any well-run business, you will find a plan. The nature of the trucking industry can at times seemingly create hurdles that make it difficult to establish a plan, especially when you combine driving the miles with running a business on the road.

Quite frankly, it has been our experience at Trucker CFO that those trucking professionals and business owners who can develop the vision to view the full picture are among the people in this industry who enjoy consistent success. The work you do to establish plans and processes is invaluable. The business owners who can evaluate their business while also moving it ahead most often do so by simply having a good attention to detail. Consider a couple sports analogies to illustrate the overall value of planning.

Ask anyone who has played pool more than a few times and they will tell you that making the shot is only half the equation when it comes to running a table and winning. Once you sink the shot, the other part of the equation is where you have left the cue ball for the next shot.

Applying that concept to trucking, one part of the equation for a successful trucking business is miles for the day, for the week and for the month. But, as those of you who have been in the trucking game for a while know, running a trucking business is more than just running miles. Sustained success is often determined on how your business is positioned for what's next and the challenges ahead.

For our golfers out there, there are a number of aspects to the game. To be successful at golf, it's not just about who can have that long drive off the tee. It's about where your shot lands and being able to look at the course to stay away from hazards. Golf requires that you have many skills, including how to deal with adversity when a shot takes a wrong turn and you land in a hazard.

Our point here is pretty basic. When you are running a trucking business, especially if you are a business owner who is also behind the wheel, you have to be able to address the needs of today – sinking the first shot in pool or driving the ball off the tee in golf – while also looking ahead to the challenges for your overall operation down the road.

Our Trucker CFO Team works with our clients to get to know your business. We always try to go the extra mile by helping you to step back and look at all aspects of your business. It's really our way of helping to make it easy for you to sink the current shot on the table while also setting up the next shot. Our approach to trucking and to planning can allow you to step back and see the entire course for your business planning purposes.

Let Trucker CFO Help You This Tax Season

Our entire team at Trucker CFO is dedicated to working with our clients to assist them in being as profitable as possible. Through what we are sharing in this guide, you can clearly see that Trucker CFO takes a comprehensive approach to navigating the tax, accounting and business advisory aspects of your trucking operation. Our Trucker CFO Team brings decades of experience to help you meet the challenges you encounter with your business.

When it comes to your annual tax return, we are dedicated to working with you to make sure that you have accessed your allowed deductions, that your filings are correct and, at the end of day, you are not paying one dime more on your tax bill. Through the recommendations that we have shared with you here and by partnering with our Trucker CFO Team, we are confident that you and your business can be in an ideal position to accomplish your goals and enjoy sustained success.

Once again, we want to thank you for utilizing the Trucker CFO's Guide To Tax Season – 2024 Edition. Our Trucker CFO Team is ready to help you during this tax season and beyond. We would like to invite you to take the first step with us.

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Click to listen to each podcast.

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WHAT IS YOUR PLAN FOR TAX SEASON & BEYOND?

LISTEN TO WHAT OUR CLIENTS SAY

For 2024

DEDUCTIBLE BUSINESS EXPENSES

Expense Type		Expense Type		Expense Type	
2290 Tax Filing		Fax		Prepass	
Accident Insurance		FHUT		Preventative Maint - PM Service	
Accounting Fee		Filters - Oil and Air		Print	
Administrative Fee		Flashlight		Qualcomm	
Additives		Floor Mats		Radio	
Advertising		Fuel - Reefer		Rain Coat	
Airline Tickets		Fuel - Truck		Registration Fees	
Antenna-CB		Fuel Additives		Rental Car	
Anti-Freeze/Coolant		Fuel Taxes		Repairs	
Appliances for truck		GAP Insurance		Roadside Assistance	
Bank and ATM Fees		Hard Hat		Rugs for truck	
Batteries-(AA, AAA, etc)		Headlamps		Safety Boots, Shoes, Glasses	
Batteries-Truck		Hoses		Satellite Equipment	
Bedding		Hotel Room		Satellite Radio Services	
Blanket		Ice Scrapers		Scales	
Bobtail Insurance		Interest Expense		Seat covers	
Broker Fee		Kitchen Accessorries, Plates, Utensils, etc		Seat cushions	
Bungee Cords		Knife, Utility, Pocket		Settlement Fee	
Bunk heater		Laundromat, Laundry Soap, Bounce		Sheets	
Bus Tickets		Legal Costs		Shirt-(with company logo)	
Business Meals		Licensing Fees		Showers	
Cables		Light Bulbs		Sirius XM Services	
Cargo Insurance		Load Board		Straps	
Carrier Fees		Loadlocks		Tarps	
CB Radio		Locks		Taxi	
CDL License Fees		Lumpers		Television	
Cellular Phone - Monthly & Equip		Lyft		Tire Repair	
Chains		Medical Insurance		Tires	
Cleaning Supplies		Memberships (industry spec.)		Tolls	
Computer & Hardware		Mounts-GPS		Tools	
Computer Supplies/Software		Occupational Insurance		Truck & Trailer Wash or Washout	
Contract Labor		Oil & Oil Additives		Truck Accessories (supplies)	
Coolers/Ice		Padlocks		Truck Lease (Need agreement)	
Copies		Paper Towels		Truck Payment (Need agreement)	
Coveralls		Parking Fees		Uber	
DAT		Parts & Labor		Uniform-(Industry specific)	
Decals		Payroll Processing Fees		Unloading	
Deductible for accidents		Payroll Taxes (Report Required)		Vision Insurance	
DEF		Payroll Wages (Report Required)		Warranty Expense	
Dental Insurance		Permits		Windshield wiper fluid	
Dispatch Fee		Physical Damage Insurance		Windshield wipers	
DOT Physical		Pier Diem		Winter Coat,Thermals, Boots, Gloves, Hand Warmers	
ELD		Postage & Shipping		Work Gloves	
Express Truck Tax		Power Cords		Workers Comp Insurance	
Factoring Fee		Power Washer			

***Reviewed by Trucker CFO 01/31/24*

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About The Author

Colton Lawrence is the Trucker CFO and he also is the author of the *Trucker CFO's Guide To Tax Season – 2024 Edition.*

Colton is the owner of Trucker CFO, a leading resource in the trucking industry for providing accounting, tax and business advisory expertise to owner-operators, independent contractors, fleet owners and trucking entrepreneurs. Colton is a licensed CPA in the state of Utah, and he leads a dedicated staff of top professionals.

Over his many years of service to trucking entrepreneurs and professional drivers, Colton has earned a reputation as a trusted resource, becoming known as the Trucker CFO. This is one of the many reasons that Colton led the rebrand of his company in 2022 from Equinox Owner-Operator Solutions to Trucker CFO.

A staunch supporter for the right of small businesses, Colton believes there is a path to profitably operating a small fleet or single truck operation in transportation. Colton is active in several trucking industry associations which rely on the independent contractor model. Trucker CFO is a proud member of the Women In Trucking Association.

Colton serves as the host of the Trucker CFO Podcast, which can be heard on the TruckerCFO.com website as well as through all major podcast services. Colton has become a regular contributor to the Dave Nemo Show on SiriusXM's Road Dog Trucking Radio Channel 146. As the Trucker CFO, Colton appears on RadioNemo's weekly segment Driving Your Dollars, which is hosted by Michael Burns, the Co-Founder and General Manager of RadioNemo of North America.

Thank You...

for allowing me to guide you through this tax season.

Questions?

Email me info@truckercfo.com or call (800) 533-4230.

What's next?

Stay tuned for more important tax tips and info straight to your inbox.

Truly,

Colton Lawrence

Trucker CFO

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