



Success Strategies for Small Business Owners



Who We Are

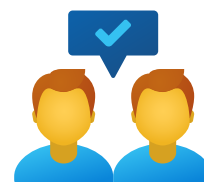
Founded by Dylan Fabbi, a dedicated CPA with vast experience from one of the largest U.S. public accounting firms, our company is driven by a passion for helping businesses streamline their finances and spur growth. With a large team of U.S.-based employees, we deliver tangible value, including an average tax savings of \$25,000 per client, over 12.5 hours of bookkeeping time saved per month, and an estimated annual increase in profits and business size 30%. We're more than a financial service provider; we're a partner dedicated to your growth.

Experience with Small Businesses



Your Back Office

We offer top-tier financial services to clients with portfolios of various sizes. Our comprehensive services cater to the unique needs of each client.



Consulting

We provide guidance in establishing bookkeeping systems, setting up chart of accounts, streamlining operations, advising on income allocation and reporting, and offering tax-related advice.



National Recognition



Accurate bookkeeping is crucial for small businesses for several reasons:

FINANCIAL MANAGEMENT

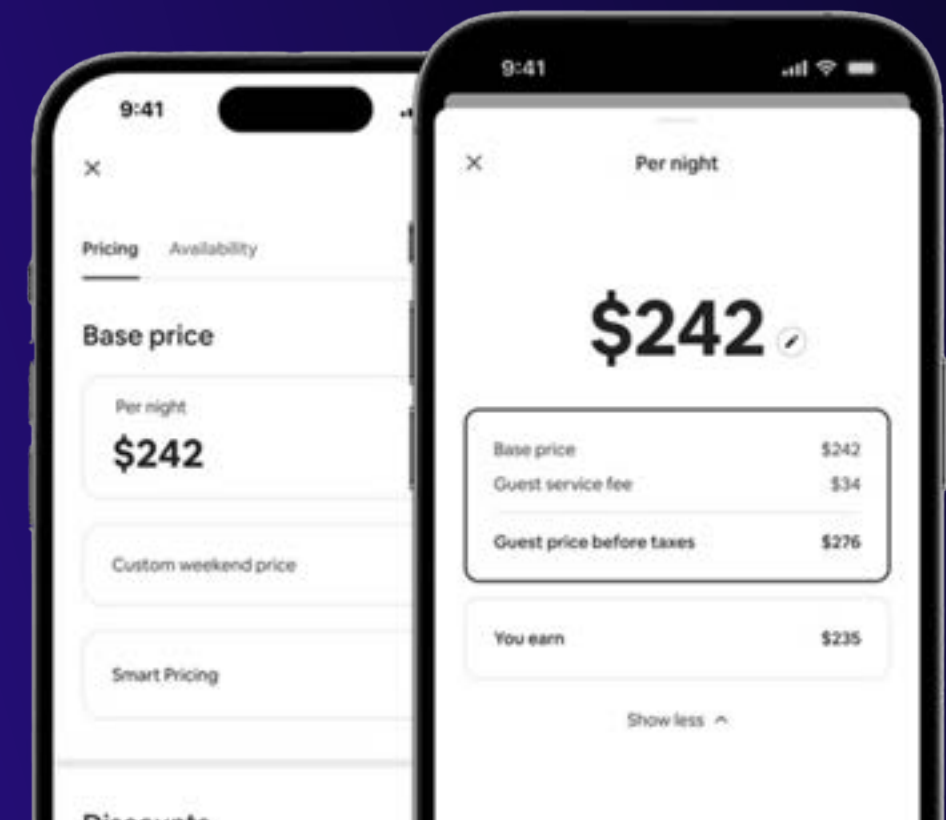
TAX COMPLIANCE AND ADVICE

EXPENSE TRACKING

RISK MANAGEMENT

EVALUATION AND GROWTH

PROFESSIONALISM AND TRANSPARENCY



**Let's dive
deeper.**

FINANCIAL MANAGEMENT

Accurate bookkeeping allows you to track and manage your financial transactions effectively.

It provides you with a clear picture of your income and expenses, helping you make informed decisions about your business's financial health and profitability.



PROFIT & LOSS



BALANCE SHEET

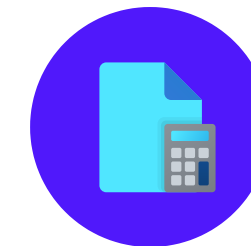


**STATEMENT OF
CASH FLOWS**

TAX COMPLIANCE AND ADVICE

As a business owner, you have a legal obligation to comply with tax regulations.

Accurate bookkeeping ensures that you maintain proper records of your income and expenses, enabling you to fulfill your tax obligations accurately. It also helps you claim eligible deductions and credits, potentially reducing your tax liability.

**1099S****YEAR END TAX
FILING****QUARTERLY ESTIMATES
AND ADVICE**

EXPENSE TRACKING

Bookkeeping allows you to track and categorize your expenses related to your small business.



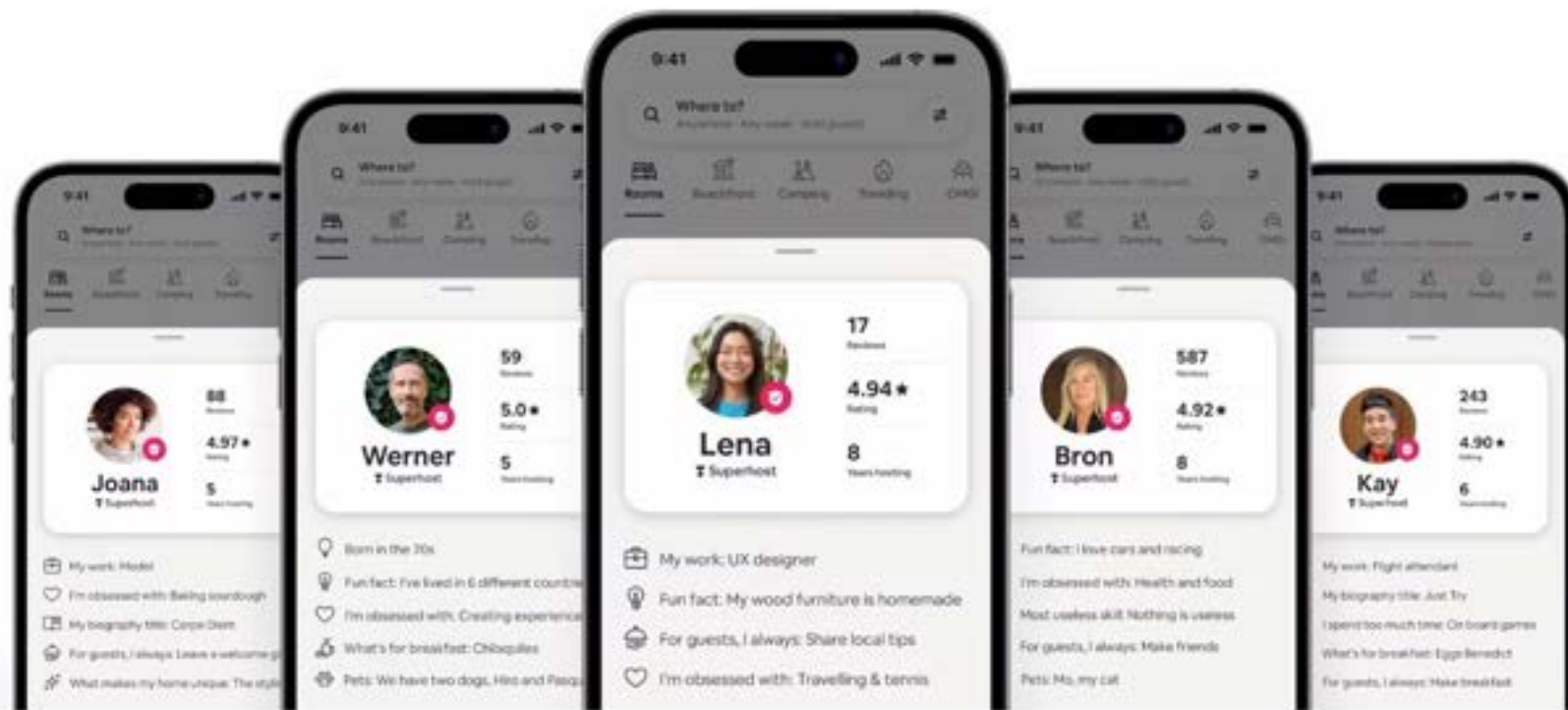
This includes costs such as rent, property maintenance, utilities, cleaning fees, moving and storage expenses, commission fees, and other expenses incurred in running **your business**. Proper expense tracking helps you monitor your spending and identify areas where you can **optimize costs and scale your business**.

RISK MANAGEMENT

Accurate bookkeeping helps you manage financial risks.

By maintaining organized records, you can identify potential issues such as cash flow problems, excessive spending, or irregularities in your finances. This enables you to take corrective measures promptly, mitigate risks, and maintain the financial stability of your business.

Just this past week, we found a potential rent fraud of over **\$40,000**. Luckily due to accurate bookkeeping, we were able dispute this charge with our bank, and it is currently being resolved.



EVALUATION AND GROWTH

With accurate bookkeeping, you can generate financial reports that provide insights into your business's performance.



These reports help you assess profitability, cash flow, and other key financial metrics. By analyzing this information, you can make informed decisions about expanding your operations, scaling your business, or identifying areas for improvement.

Remember, if you want to expand, you'll need financial statements that are 100% accurate.

PROFESSIONALISM AND TRANSPARENCY

Accurate bookkeeping demonstrates professionalism and transparency to various stakeholders, including investors, partners, and tax authorities.



It shows that you take your business seriously and are committed to maintaining accurate and reliable financial records.

I have discussed the possibility of my clients attracting investors for substantial growth, emphasizing the importance of accurate bookkeeping.

For instance, if a short term rental owner makes an investment of \$100,000 at a preferred rate of 10%, this could enable access to over 20 new apartments, enhancing business growth opportunities.

TRACKING INCOME

INCOME SHOULD BE CATEGORIZED BY SOURCE

Income from various sources in a small business can be taxed at different rates and may qualify for substantial tax deductions. It's crucial to consult with a tax expert to ensure you're taking advantage of all eligible deductions and credits, thereby optimizing your tax position and avoiding overpayment.

COMMON INCOME CATEGORIES

- ❑ Sales Revenue
- ❑ Interest Income
- ❑ Rental Income
- ❑ Dividend Income
- ❑ Royalty Income
- ❑ Consulting Fees
- ❑ Commissions
- ❑ Grants
- ❑ Membership Fees
- ❑ Advertising Revenue
- ❑ Insurance Reimbursements
- ❑ Government Payments
- ❑ Miscellaneous Income
- ❑ Donations

TRACKING EXPENSES

**Expenses should be
broken between**

COGS

*(Cost of Goods Sold / Direct Operating Expenses –
above the line and General Expenses – below the line)*



Here are some common expenses associated with small businesses.

REPAIRS & MAINTENANCE

UTILITIES

INSURANCE

RENT EXPENSE

PAYROLL AND CONTRACT LABOR

OFFICE SUPPLIES

ADVERTISING AND MARKETING

...and a few tips too 😏

Repairs & Maintenance

Expenses related to repairs and maintenance are common in small businesses. This includes costs for **fixing plumbing issues, electrical repairs, HVAC maintenance, painting, and general upkeep of the property.** If significant, these should be capitalized for tax purposes.

Pro tip

Categorize each type of repair separately to see which things need to be fixed the most (ie. Painting vs actual repairs)

Repairs & Maintenance (Parent Account)

- ✓ Painting
- ✓ Repairmen
- ✓ Plumbing



Utilities

You may need to pay for utilities such as electricity, water, gas, and internet services for your small business. Tracking and categorizing these expenses accurately is essential for determining your business's profitability and for potential deductions.

Pro tip

Categorize like this

Utilities (Parent Account)

- ✔ Electric and Gas
- ✔ Water and Sewer
- ✔ Internet and Telephone



Payroll and Contract Labor

Payroll and contract labor are often required for a successful small business. Payroll and contract labor fees can be categorized separately to track this specific expense.

Pro tip

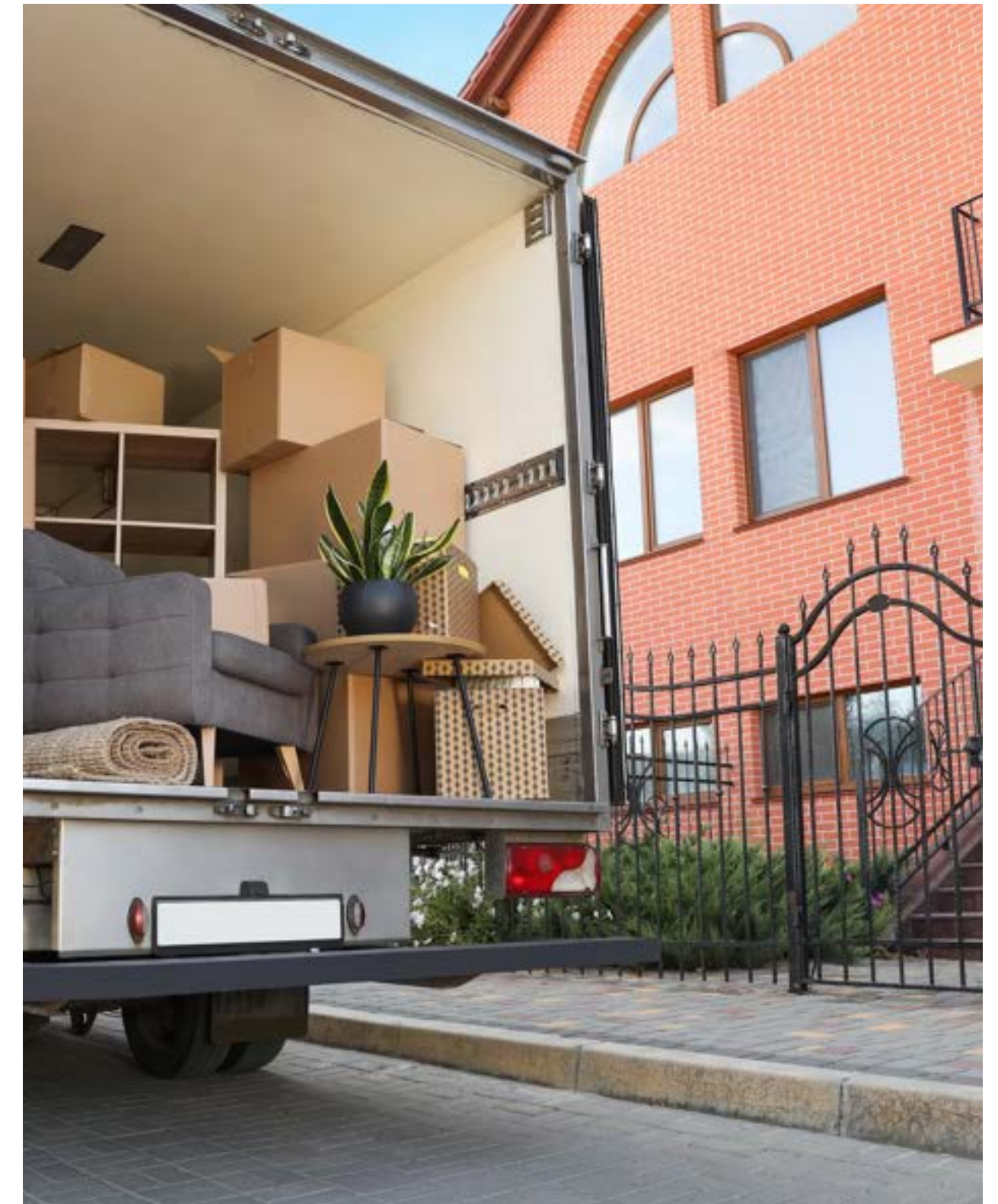
In order to receive eligible tax benefits, organize like this:

1. Contract Labor (Parent)

- ✓ Cleaning
- ✓ Administration
- ✓ Moving
- ✓ Virtual Assistants

2. Tax Advice– Ask for W-9s before hiring so you can properly 1099 at the end of the year. Don't wait!

3. Payroll Advice– Make sure to split Gross Wages and Payroll liabilities/taxes properly. If not, it will lead to and misinformed financials on your payroll.



Insurance (For the rainy days)

Insurance coverage for your rental property is crucial to protect your investment. This includes property insurance, liability insurance, and possibly additional coverage for small business insurance.

Keep track of insurance premiums and related expenses so you can deduct them on your taxes.

Insurance (Parent Account)

- ✔ Business Insurance
- ✔ Liability Insurance
- ✔ Property Insurance



Rent Expense

This is the most important expense. There might be general rental items that you lease from time to time, these two should be categorized separately.

Pro tip

Categorize like this

✓ RENT AND LEASE (Parent Account)

- ✓ Building Rent
- ✓ Equipment Rent



Furniture and Supplies

Furnishing your office with furniture, appliances, and other essentials may incur expenses. Additionally, ongoing expenses for supplies such as toiletries, cleaning products, and kitchen items should be tracked separately.

Pro tip

Large Furniture and Office expenses are classified as an asset and has different tax implications (ie. If it can be written off immediately or over 5 years.)



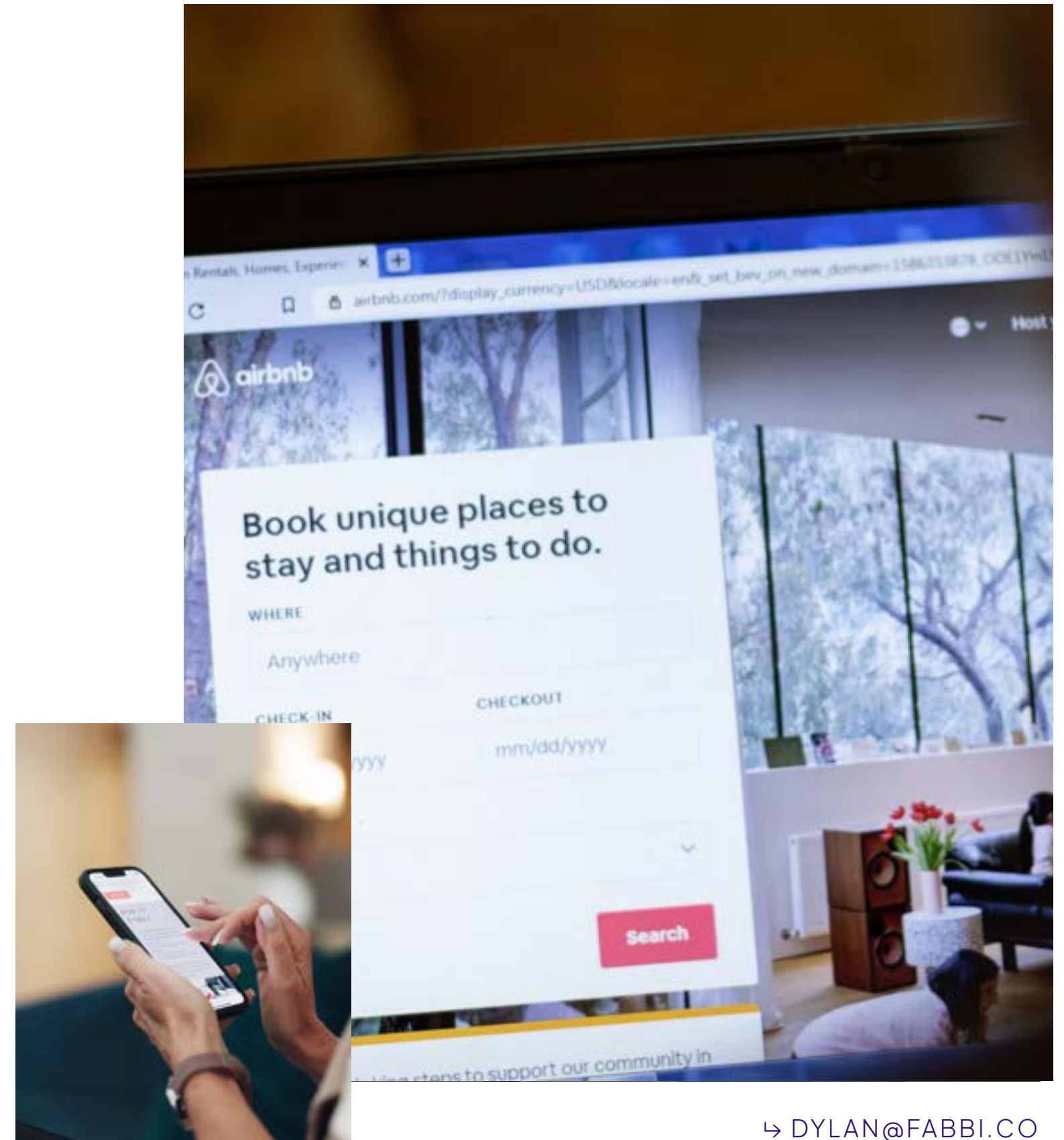
Advertising and Marketing

Expenses related to advertising and marketing your small business to attract new customers.

This includes costs for professional photography, listing fees on social media or other platforms, and any marketing agencies.

Advertising (Parent Account)

- ✔ Facebook/Google Ads
- ✔ Photography/Videographer Costs
- ✔ Marketing Agencies



Profit & Loss

Here is a sample P&L statement for a short-term rental business consisting of two main sections: the top line, which represents revenues or sales generated, and the bottom line, which reflects the net income or profit after deducting all costs and expenses. By analyzing the P&L statement, businesses can gain insights into their revenue sources, identify areas of high or low profitability, and make informed decisions to improve their financial position.

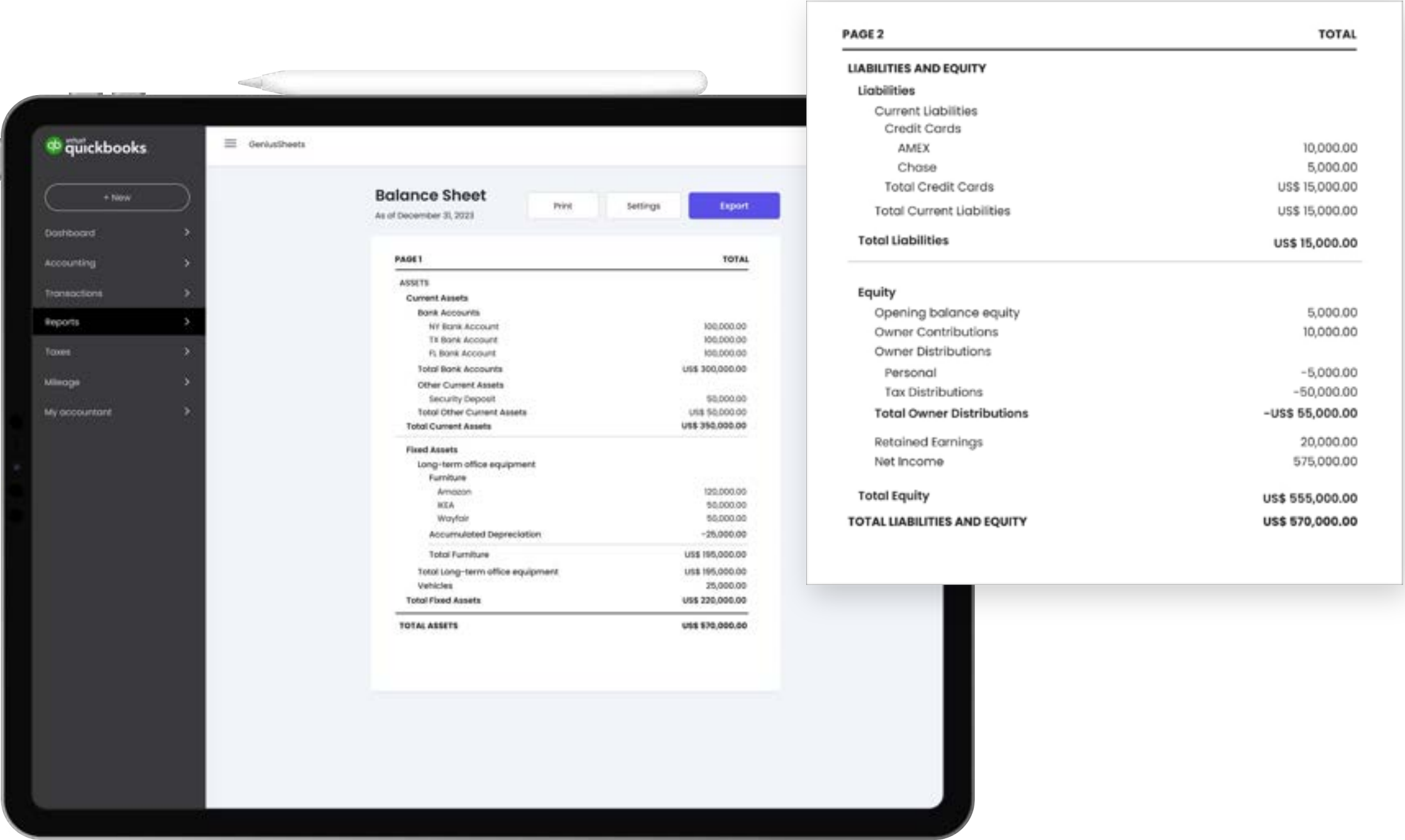
quickbooks	
GeniusSheets	
Profit and Loss	
January - December 2023	
TOTAL	
Income	
Sales	
Airbnb Sales	3,000,000.00
Booking.com Sales	275,000.00
Total Sales	3,275,000.00
Total Income	3,275,000.00
Cost of Goods Sold	
Cost of goods sold	
COGS - Apartment Rent	1,600,000.00
COGS - Apartment Supplies & materials	
Amazon	350,000.00
Bestbuy.com	4,500.00
Costco	30,000.00
Ebay	4,000.00
Home Depot	10,000.00
Sams Club	20,000.00
Target	30,000.00
Total Cost of goods sold	US\$ 468,500.00
Total Cost of Goods Sold	US\$ 2,068,500.00
Cost of Labor	
Cleaning & Laundry	450,000.00
Moving Services	65,000.00
Virtual Assistants	45,000.00
Pest control	1,000.00
Repairs & Maintenance	
Painting	15,000.00
Repairmen	20,000.00
Total Cost of Labor	US\$ 596,000.00
Cost of Services	
COS - Other Services	
Disposal & waste fees	1,500.00
Electricity	40,000.00
Heating & cooling	2,000.00
Internet	40,000.00
Phone service	5,000.00
Storage rental	7,500.00
Total COS - Other Services	US\$ 96,000.00
Total Cost of Services	US\$ 96,000.00
Total Cost of Goods Sold	US\$ 2,760,500.00
Gross Profit	US\$ 514,500.00

PAGE 3	TOTAL
Expenses	
Advertising & marketing	
Listing fees	1,000.00
Social media	5,000.00
Total Advertising & marketing	US\$ 6,000.00
General business expenses	
Bank fees & service charges	5.00
Total General business expenses	US\$ 5.00
Insurance	
Business insurance	2,000.00
Total Insurance	US\$ 2,000.00
Legal & Professional Fees	
Accounting fees	5,000.00
Bookkeeping	5,000.00
Consulting fees	20,000.00
Legal fees	5,000.00
Total Legal & Professional Fees	US\$ 35,000.00
Merchant Account Fee	
Airbnb Fee	20,000.00
Booking.com Fee	5,000.00
Total Merchant Account Fee	US\$ 25,000.00
Office expenses	
Meals & Entertainment with Clients	
Entertainment with clients	5,000.00
Meals with clients	30,000.00
Total Meals & Entertainment with Clients	US\$ 35,000.00
Memberships & subscriptions	10,000.00
Office supplies	2,000.00
Shipping & postage	100.00
Software & apps	50,000.00
Total Office expenses	US\$ 97,100.00
Travel	
Airfare	5,000.00
Hotels	5,000.00
Taxis or shared rides	5,000.00
Vehicle rental	5,000.00
Total Travel	US\$ 20,000.00
Total Expenses	US\$ 185,105.00
Net Operating Income	US\$ 329,395.00

PAGE 4	TOTAL
Other Income	
Other income	
Credit card rewards	1,000.00
Interest earned	5,000.00
Total Other Income	US\$ 4,000.00
Other Income	US\$ 4,000.00
Other Expenses	
Interest Expense	2,000.00
Vehicle expenses	
Parking & tolls	2,000.00
Vehicle gas & fuel	2,000.00
Vehicle insurance	2,000.00
Vehicle leases	2,000.00
Vehicle registration	2,000.00
Vehicle repairs	2,000.00
Total Vehicle expenses	US\$ 12,000.00
Total Other Expenses	US\$ 14,000.00
Net Other Income	-US\$ 10,000.00
Net Income	US\$ 319,395.00

Balance Sheet

A balance sheet is a financial statement that shows what a company owns (assets), what it owes (liabilities), and the owners' investment (shareholders' equity) at a specific point in time. It provides a snapshot of the company's financial health and is used to evaluate its liquidity, solvency, and overall financial position.



Let's talk about **TAXES**

**Every business has different needs,
but here's an example of a tax-saving
strategy that might work for you...**

**Let's say your
business is...**

SHORT-TERM RENTALS

HERE ARE SOME KEY STRATEGIES TO SAVE ON YOUR TAXES

1

Depending on one's state/city.

One tax-saving strategy that can be considered is utilizing a Limited Liability Company (LLC) with an S Corporation as a management company.

Here's an example of how this strategy can provide potential tax benefits

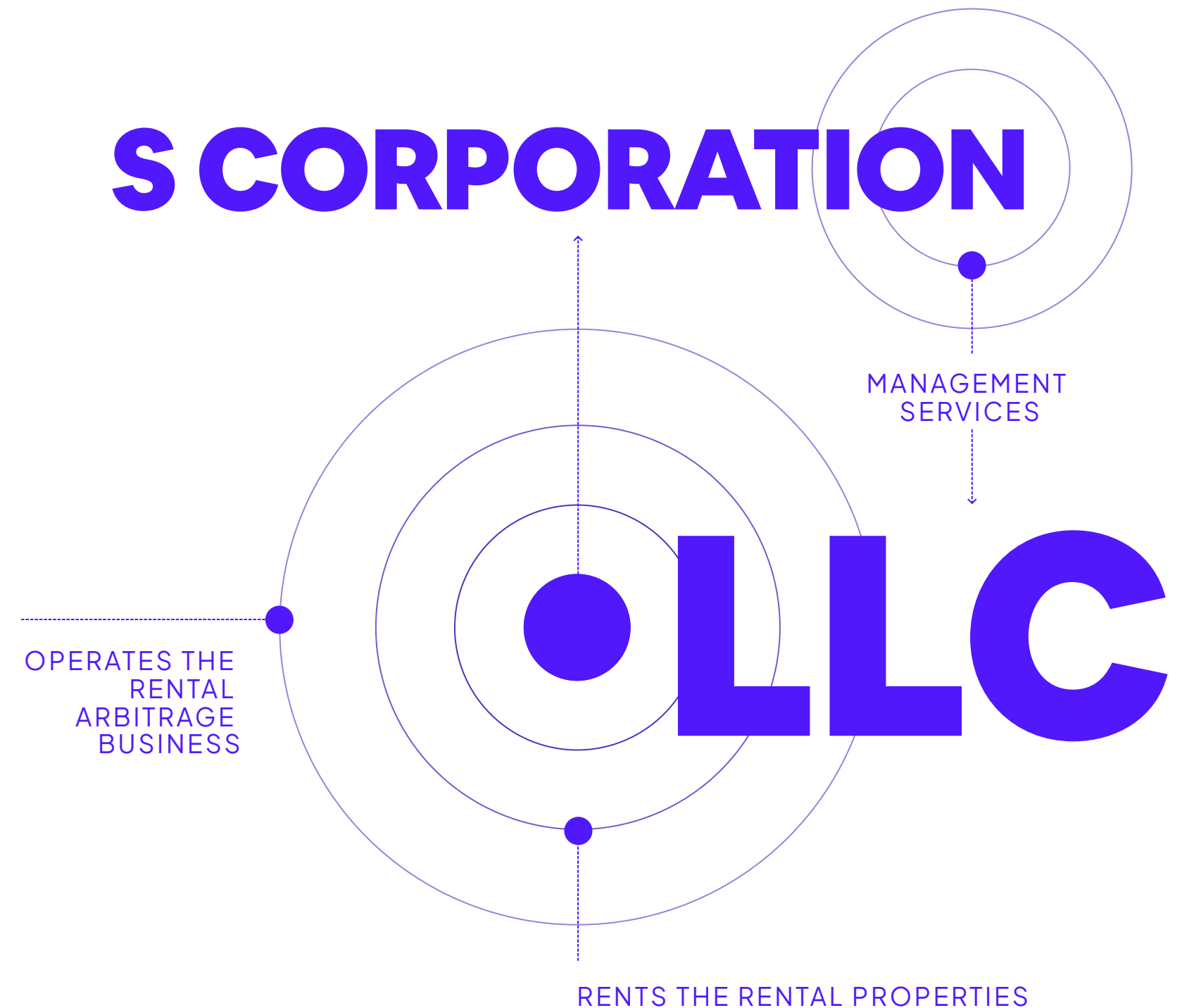
Structure Overview

In this strategy, you would create an LLC that rents the rental properties and operates the rental arbitrage business.

Then, you would establish an S Corporation as a separate entity to provide management services to the LLC.

Example

Relevant to short-term rental owners.



S CORPORATION

MANAGEMENT FEES

INCOME

RENTAL INCOME

LLC

Income Split

By structuring the business this way, you can split the income generated by the rental properties between the LLC and the S Corporation. The rental income would flow to the LLC, while the management fees for services provided by the S Corporation would be paid to the S Corporation. Depending on the arrangement, the management fees can wipe clean the LLC income and potential tax.

Strategizing this way keeps rental operations separate from your management company and can help in case of liability issues.

Self-Employment Tax Savings

One significant advantage of this strategy is the potential for self-employment tax savings. As the owner, you must take a reasonable salary from the S Corporation for the management services provided.

This salary is subject to self-employment taxes (Social Security and Medicare). However, any income generated by the LLC that is not paid out as management fees to the S Corporation is subject to self-employment taxes.

Example

Your Airbnb LLC profits \$250,000. A regular LLC would pay in self-Employment tax around \$28,000 (not factoring in regular federal and state income tax)

However, if your S-Corp takes a management fee of \$250,000 and then you give yourself a “reasonable salary” of \$75,000, your self-employment tax liability is around \$14,000 (a net savings of almost \$15,000)

**And no matter what
business you're in...**

THIS APPLIES TO YOU!

2



Solo 401k vs. SEP IRA



SOLO 401K

There is no limit on individual contributions, but the employer's contribution is limited to 25%.



SEP IRA

The maximum employer contribution is the lesser of 25% of net income/salary or \$66,000.



Remember this example?

Let's use it to compare both scenarios with the Solo 401k and SEP IRA. Though this example is specifically for short-term rental owners, it is applicable and customizable for all small business owners.

Example

Your Airbnb LLC profits \$250,000. A regular LLC would pay in self-Employment tax around \$28,000 (not factoring in regular federal and state income tax)

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WITH S-CORPORATION

SOLO 401K

**You can contribute up to
\$61,000 (maximum tax
savings of \$22,570)**

SEP IRA

**You can contribute up to
\$43,750 (maximum tax
savings of \$16,000)**

WITH REGULAR LLC

SOLO 401K

**You can contribute up to
\$61,000 (maximum tax
savings of \$22,570)**

SEP IRA

**You can contribute up to
\$47,507 (maximum tax
savings of \$17,500)**



Now lets add this up.

\$33,000

NET SAVING ON AVERAGE

3

Perform a cost segregation study

Cost Segregation studies offer a detailed analysis of the property's components in order to classify them into shorter depreciation periods. Classic real property is depreciated over a long period (27.5 years for residential properties).

However, furniture, fixtures, appliances, improvements, can qualify for shorter depreciation periods (5, 7, 15, bonus depreciation).



In the case of a taxpayer purchasing a **\$1,000,000** apartment building, where **\$100,000** is attributed to furniture and equipment, the remaining **\$1,000,000** is initially classified as building real property and depreciated over a 27.5–year class life. However, the taxpayer recognizes the opportunity and chooses to conduct a Cost Segregation Study in the tax year when the project is completed and placed into service.



After the thorough analysis of the **\$1,000,000** building, the analysis performed by a Certified Cost Segregation Specialist, certain costs are identified as tangible personal property and land improvements.

The results of the analysis are as follows:

With Study

Tax Year	5 Year	15 Year	27.5 Year	Total Deductions
1	36,600.00	3,600.00	11,252.20	45,453.20
2	48,960.00	6,840.00	24,543.00	80,345.00
3	29,376.00	6,156.00	24,543.00	60,078.00
4	17,625.60	5,540.40	24,543.00	47,713.00
5	17,625.60	4,986.80	24,543.00	47,160.40
Total				280,749.60

Without Study

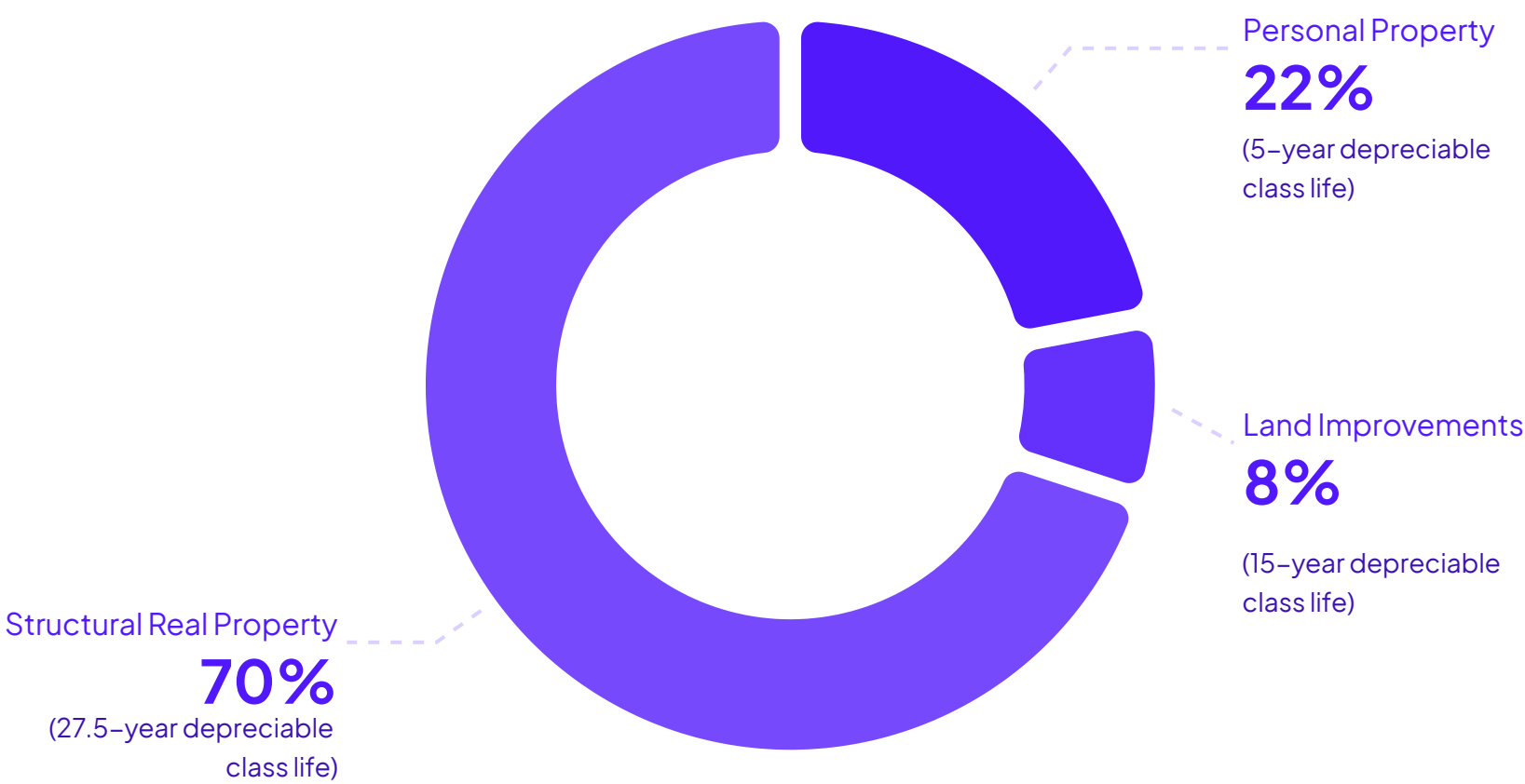
Total Deductions
15,003.00
32,724.00
32,724.00
32,724.00
32,724.00
145,899.00

Increased Depreciation

Tax Year	Deductions(Years 1–5)	After Tax Increased Cash Flow
1	30,450.20	12,180.08
2	47,621.00	19,048.40
3	27,354.00	10,941.60
4	14,989.00	5,995.60
5	14,436.40	5,774.56
Total	134,850.60	53,940.24

Summary of Tax Benefits & Savings

Increased Depreciation Deductions (Years 1–5)	53,940.24
After Tax Increased Cash Flow (Year 1)	12,180.08
After Tax Increased Cash Flow (Year 1–5)	53,940.24
Net Present Value of After Tax Cash Flow	34,352.60



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Have more questions?

Schedule a *free* consultation at fabbi.co