
5 BUSINESS TAX MOVES THAT ARE GREAT FOR EMPLOYEES



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Running a small business is a balancing act.

On the one hand, you've got to focus on your bottom line. On the other hand, you need to support the well-being of the employees that keep your business going.

You can do both by finding ways to support your workers' financial wellness. In today's competitive job market, employers of all sizes are recognizing the importance of helping their workforce stay financially fit as a recruitment and retention strategy.

Common sense says that financially secure employees are more productive and dependable. Conversely, employees who aren't financially secure can be a drain on your business. Research has found that money-related employee stress costs American businesses billions of dollars each year.



If you want to boost your employees' financial wellness – and your bottom line – these employee-friendly tax strategies are a great start.

1. Offer the Right Retirement Plan

Offering attractive retirement benefits is one of the best ways to bring in – and keep – great employees. Setting up a workplace retirement plan like a 401(k), SIMPLE IRA, or Simplified Employee Pension (SEP) is an important way to support employees' long-term financial needs.

Employer contributions can be deductible expenses, and employees who contribute to their plans defer their income taxes until they disburse their funds (except for nondeductible plans like Roth IRAs). It's important to educate your staff about the benefits of enrolling in and contributing to your retirement plan.

Be sure to partner with an experienced team to help you navigate the process of setting up and managing your workplace retirement plan.

2. Sweeten Your Employee Benefits Package

Giving regular pay raises can contribute to employees' job satisfaction. But boosting non-salary perks, like health, life, and disability insurance, offers a similar benefit.

For example, upping your health insurance contributions could help your employees lower their out-of-pocket medical costs, which may provide more value to them than a standard pay raise. Because premiums are deductible expenses for businesses, contributing more to health insurance premiums avoids the tax increase for both employer and employee that accompanies a regular salary bump.

The best plan for your team will depend on their specific needs, such as whether they have families. If an employee needs less coverage and wants to save money with a qualified high-deductible health plan, contributing to their health savings account (HSA) could be an added perk, providing a convenient way to save for medical expenses along with a number of tax advantages.

3. Be Smart About Reimbursements

Many businesses have cut back on employee travel, but your employees may still need to go on business trips.

If this is the case, consider using an accountable plan to pay back employees who rely on their own car for business trips. An accountable plan is a reimbursement or allowance arrangement that can reimburse out-of-pocket travel expenses like gas, tolls, and wear and tear on their vehicle, but the money doesn't have to be reported as pay on the employee's W-2 form.

This helps you and your employees avoid extra payroll taxes when managing travel reimbursements. Just be sure that your reimbursement method meets the IRS guidelines.

4. Keep Your Staff Savvy About Taxes

Unfortunately, many people are in the dark about important tax concepts and tax planning strategies. For example, many workers fail to withhold the correct amount from their salary. This means they could have too little of their paycheck available for day-to-day needs, or they could end up owing a lot of money at tax time.



Business owners or their HR departments can assist in educating their staff about tax essentials. Walking employees through the new Form W-4 to help assess their tax withholding amount is one way of helping, as is directing employees to the IRS Tax Withholding Estimator or independent tax professionals. You can also encourage employees to contribute to their company retirement plan to help reduce their taxable income (see above), and you should remind eligible employees about the IRS's Free File option around tax time.

5. Support Local Charities

Giving to charity is a great way to support the community while helping to lower your business's taxes and earn goodwill from your employees. To increase engagement from your staff, ask your team which local causes are important to them.

Businesses can donate either money or noncash assets such as vehicles, furniture, and computers. Just remember that not all organizations enable you to make tax-deductible donations. Check that the organization you donate to has a tax-exempt status from the IRS.

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