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Tax Strategies

Taxes–Taxes–Taxes.... They will be with us until we pass, and then, carried on to our loved ones. To be a success in life, business, employment, a profession, or in retirement, it is essential to employ various tax strategies. Tax legislation changes frequently.

When selling real estate, it is important to know its “net tax proceeds” (the difference between the sale price and your tax basis, not your loan amount) to compute your income taxes, to know the property taxes of the replacement property. Basic income and property tax strategies should be employed. You should make computations well before you decide to sell or purchase real estate.

To sell a business, you might ask whether it should be a stock or asset sale. This decision is dependent on the tax implications, including whether the business is held by a limited liability company (LLC), “S” tax corporation, or “C” tax corporation. Even then, you might consider a conversion to another entity or merger, as there are tax-exempt mergers.

Simply owning real estate involves a consideration of its basis for tax returns, now or for the future, as this affects estate and gift taxes, income taxes, and property taxes that you may have to pay.

These are examples of some of the many taxes cluttering our modern minds; and with each transfer, sale or other event, there are decisions that you will need to make. Some of the usual taxes that we, at Buynak Law, encounter daily are:

Income Taxes

Just about everyone, from children to seniors, pay taxes on their income, every year. It is important for you to set income goals for yourself each year and then implement your tax strategies --- an LLC or corporation might be appropriate to avoid taxes as 15.3% of your individual income goes to your self-employment taxes. These taxes can be avoided legally thru a legal entity, yielding returns to you, while gaining the same financial return for your efforts. When you add real estate to your portfolio, depreciation and losses may offset your income and thereby, decrease your income taxes.

Real Estate Tax

Each time you buy or sell real estate, the allocation of the price between the land and improvements is essential and affects your income taxes. Your purchase price and improvements affect your tax basis for your yearly real estate taxes. If you move, you will want to know in advance that your “old” real property tax basis under Prop 13 follows you. This is essential, or you might find that

your property taxes jump ten to twenty fold, meaning that you cannot afford to live in your new home. California's Prop 19 just passed and will change the rules allowing you to carry over your real property tax basis to your new home under certain circumstances. You should know those parameters when looking for your new home, rather than after the closing of escrow.

Estate and Gift Taxes

Most people plan their estate, attempting to make sure their heirs will actually inherit their estate and not have it consumed by taxes. There are many legal tax techniques to shelter your estate from estate and gift taxes. The current 2021 estate tax exemption for an individual is \$11,700,000.00 or double that amount for a couple (\$23,400,000.00). For couples or domestic partnerships, the tax exemption of the first partner to pass "travels" to the benefit of the second partner to pass, provided proper tax forms are filed upon the first passing. At Buynak Law, we have been simplifying trusts for a few years, because of this high tax exemption and the unnecessary administrative expenses for having two trusts under past estate plans. Simply put, please do your basic estate plan documents now, don't procrastinate. It will greatly assist your heirs and pass more of your estate to them thru a simple trust administration.

There are many other types of taxes --- sales, use, excess, export, import, capital gain, corporation, LLC, limited partnership, etc. To assist you, find a professional who is knowledgeable and experienced in tax strategies. I suggest an attorney as your business and/or family general counsel, as they generally have the ability to know the big picture and help you with the many tax decisions that are necessary. An accountant is focused on income tax returns, and are not usually available to help in making quick decisions with tax decisions with your business, retirement, gifting, companies, real estate sales, etc. Financial planners are concentrated on profit-sharing plans, 401ks, annuities, etc., and your yields on investments, all to increase the basic value for X years of retirement at a comfortable yearly level for you. Attorneys, acting as your general counsel, as Buynak Law does, see the big picture and if necessary, will rely on accountants and financial planners to create a team for your financial success through the consistent implementation of various tax strategies.

Buynak Law is dedicated to helping people and businesses, always available as general counsel. We look forward to being of service to you. We "help clients thrive"... and, that they do!

Best!



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