

WHAT IS THE **AUGUSTA RULE**?

The Augusta Rule, also known as IRC Section 280A(g), allows homeowners to legally rent out their home to their business **for up to 14 days per year**, resulting in a sizable tax deduction. By renting your home to your business, you can deduct the rental payments on the business tax return while avoiding tax on your personal return under Section 280A(g). For example, renting your home for 14 days at \$3,000 per day (based on comparable rental options) would create \$42,000 that could be deducted from the corporate tax return, lowering the net business income by \$42,000. If in the 40% tax bracket, the tax savings would be approximately \$16,800 annually.

ESSENTIALLY, THIS IS A TAX-FREE DISTRIBUTION OUT OF THE COMPANY!

POTENTIAL COMPLIANCE RISKS



NOT HAVING A BUSINESS PURPOSE



NOT HAVING DOCUMENTATION TO SUPPORT THE BUSINESS PURPOSE



DETERMINING FAIR MARKET VALUE RENT



**MAXIMIZE
YOUR TAX SAVINGS**

**You've earned it.
Let's make sure you keep it.**

PLANNING DAY

Many successful business owners take time to focus on their business, not just in their business; therefore, we recommend you take a Simplify365 Planning Day once per month away from your business to gain clarity, review goals, and work on the most important issues to simplify your life. Unfortunately, many business owners struggle to incorporate this purposeful schedule into their lives, resulting in the constant juggling between work and family demands, not allowing you to be the best version of yourself.

Taking a Simplify365 Planning day helps you improve in business and life. John Wooden has a well-known quote: “don’t mistake activity with achievement.” Use a Simplify365 Planning Day to strategically plan for your business and Achieve More!

\$15,000 TO \$50,000 ANNUAL TAX SAVINGS



01. Decide how your business will rent your home for up to 14 days

- Simplify365 Day/Monthly business planning meetings = 12 days
- Annual Officer's/Minutes Meeting = 1 day
- Annual Planning/Staff Appreciation Day = 1 day
- Ensure you aren't using the house for clients, entertainment, or personal reasons
- Make sure to consult your tax professional about all the limitations and requirements
- Reserve the 14 days on your business calendar and schedule the meetings at your primary residence. *Do not exceed the 14 days.



02. Create an agenda and take detailed notes

- Documentation is essential in establishing the business purpose.



03. Get comparables

- It is essential to charge the business in line with comparable rates in your area (i.e. a hotel). Inquire how much a hotel charges for a full-day room rental.



04. Rental Agreement

- It is best practice to have a rental agreement in place equivalent to the daily rent charge. Update rental agreement annually.



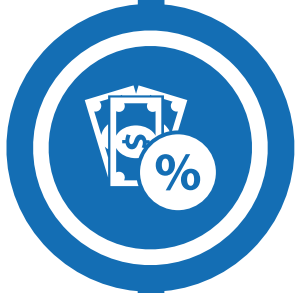
05. Personally, invoice the business for the expense

- Based on the comparables that are provided in the package, send your business an invoice for the daily rental rate. We recommend that you pay rent on a regular basis.



06. As a business, you will need to issue the homeowner a 1099 at the end of the year

- The business will need to ensure that all the invoices have been paid. Then, issue a 1099 form for the homeowner (you).



07. Claim the income on your individual taxes

- You will need to claim the income on your taxes as “non-taxable income under IRS Code Section 280A(g).” This shows the IRS that you are following the guidelines outlined in the IRC. Leave no room for mistakes. Ensure that your tax professional doesn’t include this as taxable income.

COST OF IMPLEMENTATION

Onboarding Fee: \$3,000 in advance

Recurring Fee: starting at month four, you will be billed \$500 per month

The total cost of implementation for the 1st year: \$7,500 (\$6,000 annually after 1st year)

AUGUSTA RULE POTENTIAL SAVINGS

ASSUMPTIONS

Prepared For:	
Taxable Income:	
Filing Status:	
Marginal Federal Tax Rate:	
Marginal State Tax Rate:	
Daily Rate:	
Total Rental Days Used:	14 Days
Annual Rent Deduction:	
Total Potential Tax Savings:	
Simplify365 Fee:	\$6000
POTENTIAL NET BENEFIT:	

YOU'VE
EARNED IT

Let's make sure you keep it.

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Figures produced using our internal calculator vary based on the following assumptions. The business owner has a separate business entity, the business owner owns a house, the business owner does not use their primary residence as their primary place of business, the business owner is filing as married filing jointly or single, the business owner's savings may vary based on their taxable income, tax bracket, rental price and days home rented to the business. The figures used are generalized and not indicative of actual results, which may differ substantially. This does not reflect the impact that material economic and market factors may have had on decision making. The results shown were achieved by means of a mathematical formula. If you qualify for a QBI deduction your net benefit may be reduced.