AHWATUKEE FOOTHILLS NEWS

Solar Business Equipment a Powerful Tax Strategy

July 5, 2023 by Dr. Harold Wong

• If you can save $15,000/year of taxes for 15 years and earn a 14% annual return, you will have an extra $749,705 in your retirement fund
• If you save $30,000/year of taxes for 20 years at a 12% annual return, you will have an extra $2,420,962 of retirement money
• If you save $50,000/year of taxes for 20 years at a 10% annual return, you will have an extra $3,150,125.
• Suppose you can earn a steady 8% income when you retire, and the above amounts mean an extra $59,976, $193,677, or $252,010 of annual retirement income. In low cost AZ, this would allow most to retire early and afford their bucket list dreams.

Why typical suggestions from tax advisors don't really save long-term taxes? If you were a highly-paid surgeon 30 years ago and complained about paying a lot of income tax, your CPA may have suggested these options for saving taxes: Buy a bigger home with a larger mortgage so you can deduct more interest; maximize the contributions to your IRA or 401(k); or invest in rental houses. Let's examine why these suggestions don't work.

1. After the Trump Tax Cuts and Jobs Act was passed in late 2017, one can deduct interest only up to a $750,000 mortgage on your personal home. With super-low interest rates of the last 15 years, most married couples find that the standard deduction gives more deductions than itemizing on Schedule A.

2. Maximizing your contribution to an IRA or 401(k) is a ticking tax time bomb. Suppose you deducted $10,000/year for 30 years to a retirement plan and were in the 25% tax bracket. Your total $300,000 of deductions would save you $75,000 of taxes. You rode the stock market roller-coaster and are lucky enough to have $2 million at age 70. If you and your spouse died in an accident, each of your two kids inherits $1,000,000 of IRA or 401(k) funds. Now each one faces a 40% combined federal and state tax rate and owes $400,000 of taxes. You saved $75,000 of taxes but now the kids owe $800,000.

3. Investing in rental houses gives very limited depreciation, which is the only non-cash deduction. Example: you buy a $500,000 rental house and typically 20% is allocated to land (which is not depreciable) and 80% is allocated to the house. Annual depreciation is subject to a 27.5 year schedule and so is $14,545 if it was deemed a rental house for all 12 months. If you are in a 25% tax bracket, you save $3,636 of annual taxes. Yet, to buy the house it takes 25% down to get a decent interest rate and that's $125,000. Add $5,000 of closing costs and assume only $10,000 of fix-up costs and it takes $140,000 of cash to save $3,636 of annual taxes. Also, when you sell that rental house, all the building depreciation previously taken is taxed at a 25% federal rate.

In contrast, $140,000 would buy 2 pieces of solar refrigeration business equipment. Between the 30% ($140,000) = $42,000 of solar tax credit and deducting $95,200 to $119,000 in year one, this would save about $70,000 of taxes and earn a steady 14% average return. Solar business equipment is the most powerful tax strategy in today's tax code. Let me show you how this works.

Free Tour/Workshop at Solar Reefer (Refrigeration) Factory: Saturday, 7/08/2023 9am–12 noon. Topic is "How Solar Reefers can Reduce Taxes to $0 and earn a steady 10-14%!" Lots of tasty refreshments served! Location is at Advanced Energy Machines: 4245 E. Norcroft Street, Mesa, AZ 85215, ¼ mile SW of McDowell & Greenfield Roads.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.