

The Solopreneur Tax Strategy Playbook

Ten decisions for independent contractors, 1099 earners, Schedule C filers, single-member LLC owners, and S-corp owners who want tax strategy to be based on records, not guesses.

Read this first

This guide is educational. It is not tax, legal, payroll, retirement-plan, or investment advice. The right answer depends on entity type, state law, income level, family facts, payroll setup, plan documents, deadlines, and whether the records can support the position.

The recurring theme is simple: tax strategy starts before the tax return. If your bank feeds, cards, owner draws, reimbursements, contractor payments, and payroll are not clean, the best strategies either get missed or get implemented weakly.

Quick score: are you ready for strategy?

- I have 1099, Schedule C, LLC, or S-corp income that is material to my household.**
- I can see year-to-date profit without waiting for tax season.**
- Business and personal transactions are separated or can be cleaned up quickly.**
- I know whether I paid contractors, employees, myself, or family members correctly.**
- I know whether estimated tax, payroll withholding, or both are covering the tax bill.**

If you checked fewer than three boxes, your first tax strategy is monthly bookkeeping. Without current books, every other strategy becomes slower, weaker, or more expensive.

1. Paying your kids through the business

This can be a real planning idea, but it is not a magic transfer. The child needs a real job, reasonable pay for the work, time records, actual payment, and payroll treatment that matches the entity.

Where it can fit

Content support, filing, packaging, cleaning the shop, admin work, simple data entry, or other age-appropriate duties that the business would otherwise pay someone to do.

Where owners get careless

Paying a flat round number with no duties, no timesheets, no payroll trail, no separate payment, or using the idea after the year is already over.

IRS Publication 15 says payments to a child under age 18 working for a parent's sole proprietorship or a partnership where each partner is a parent are not subject to Social Security and Medicare taxes; different rules apply for corporations and other structures.

Clearclose angle: we keep the books clean enough to show the labor expense, payment trail, and monthly records before year-end planning happens.

2. Solo 401(k): the savings example owners actually care about

A solo 401(k) can be powerful because the owner may have both employee deferral and employer contribution layers. The specific amount depends on earned income, plan design, timing, age, entity type, and other retirement plans.

2026 example framework

The IRS lists a 2026 401(k) elective deferral limit of \$24,500. If age 50 or over, the catch-up limit is \$8,000; for ages 60 through 63, the higher catch-up limit is \$11,250. The overall annual additions limit is \$72,000 before catch-up contributions.

A high-income Schedule C filer or owner-only business can model whether retirement contributions reduce taxable income enough to justify setting up and funding the plan. An S-corp owner must pay attention to W-2 compensation because S-corp distributions are not earned income for retirement-plan contribution purposes.

Clearclose angle: monthly books make the contribution conversation possible before the deadline, while payroll and owner draws are still fixable.

3. Is an S election right for you?

An S election can reduce self-employment-tax exposure for some profitable owners, but it adds payroll, separate entity compliance, stricter compensation discipline, and more year-round administration.

Likely worth modeling	Usually wait
Consistent profit after owner pay	Low or inconsistent profit
Owner can run payroll and keep records current	Owner is still mixing business and personal cash
Tax savings exceed payroll, tax prep, and admin costs	Savings are mostly theoretical or too small

The IRS says S corporations must pay reasonable compensation to shareholder-employees for services before non-wage distributions are made. That means the wage decision is part of the tax strategy, not a year-end guess.

Clearclose angle: we separate wages, draws, reimbursements, and expenses in QBO so the S-election analysis has numbers behind it.

4. Optimizing W-2 wages you pay yourself

For S-corp owners, the question is not "How low can the salary be?" The better question is "What compensation is defensible, supports the retirement plan, fits cash flow, and still leaves room for distributions?"

- Too low can create payroll-tax and audit risk.
- Too high can shrink distribution planning and retirement flexibility.
- Late payroll setup makes the whole year harder to correct.
- Books should show wages, payroll taxes, reimbursements, and owner distributions clearly.

5. Accountable plans and owner reimbursements

If an S-corp owner pays business expenses personally, reimbursements can become messy. Accountable-plan treatment generally requires a business connection, adequate accounting, and return of excess reimbursements within a reasonable period.

The practical habit: submit monthly reimbursement reports with receipts, mileage logs, and home-office support where applicable. Record the reimbursement in QBO instead of leaving personal-card charges scattered across the year.

Clear close angle: monthly close questions catch reimbursement issues while receipts and explanations are still available.

6. Home office, storage, and the deduction owners skip or overclaim

Home office is not advanced, but the way it interacts with entity type and reimbursements can be. The IRS exclusive-use rule is strict, with exceptions for inventory/product sample storage and daycare facility use.

A Schedule C filer may compute the deduction directly. An S-corp owner usually needs a cleaner reimbursement approach because the corporation, not the shareholder personally, is the business entity.

7. Self-employed health insurance and HSA coordination

The self-employed health insurance deduction is not just "medical expenses." The IRS uses Form 7206 to determine the amount of self-employed health insurance deduction that may be claimed and reported on Schedule 1.

This area gets fact-specific fast: plan ownership, business income, marketplace coverage, spouse coverage, S-corp wage reporting, and HSA eligibility can all change the answer.

8. QBI: the pass-through deduction that should be modeled, not assumed

The qualified business income deduction can allow eligible pass-through owners to deduct up to 20% of qualified business income, subject to limits. IRS 2026 update pages also note that the QBI deduction was made permanent.

QBI interacts with retirement contributions, self-employed health insurance, self-employment tax, W-2 wages, specified service trade or business limits, and taxable income. That is why "maximize deductions" is not always the whole answer.

9. Estimated tax is cash-flow planning, not punishment

Self-employed owners often wait until a tax return tells them they are behind. The IRS FAQ says estimated payments can cover estimated income tax and self-employment tax.

Current books let you review quarterly profit, owner draws, payroll withholding, retirement funding, and the tax reserve before the year gets away from you.

10. Better deductions than the same five Google results

The IRS baseline is that business expenses must be ordinary and necessary: common and accepted in the field, and helpful or appropriate for the business.

Professional education

Training that maintains or improves business skills, with records showing business purpose.

Software stack cleanup

Subscriptions tied to revenue, delivery, client management, security, marketing, or operations.

Contractor support

Properly tracked outside labor, W-9 process, and year-end reporting review.

Business banking costs

Merchant fees, payment processors, bank charges, and platform fees often get missed.

Real business travel

Not lifestyle travel; documented trips with business purpose, dates, receipts, and allocation.

Owner reimbursements

Expenses paid personally that should be reimbursed and recorded instead of forgotten.

The practical next step

If this guide gave you more than one idea, do not start by changing payroll or forming a new entity. Start by getting the numbers current.

1. Connect QBO bank and card feeds directly.
2. Close the last clean month.
3. Identify owner pay, draws, reimbursements, contractors, and tax payments.
4. Run the S-election, retirement, kids-on-payroll, and estimate-tax questions against real numbers.

Clearclose Books keeps monthly QBO records current for independent contractors, Schedule C filers, and owner-operated service businesses. Qualified applicants can ask for a Tax Strategy Readiness Review as part of onboarding.

[Request bookkeeping fit check](#)

Source notes

Primary sources checked June 2, 2026:

- [**IRS 401\(k\) and profit-sharing plan contribution limits**](#)
- [**IRS S corporation retirement-plan contribution FAQ**](#)
- [**IRS S corporation compensation and medical insurance issues**](#)
- [**IRS Publication 15, Employer's Tax Guide**](#)
- [**IRS Publication 463, accountable-plan rules**](#)
- [**IRS Publication 587, business use of your home**](#)
- [**IRS Form 7206, self-employed health insurance deduction**](#)
- [**IRS fact sheet for gig economy workers under the One Big Beautiful Bill**](#)
- [**IRS 2026 Form 1040-ES \(NR\) update noting QBI permanence**](#)
- [**IRS Publication 334, Tax Guide for Small Business**](#)
- [**IRS Estimated Tax FAQ**](#)