



**The Art of Passive Income Podcast**  
**With Mark Podolsky and Scott Todd**

**Today's Guest:** [Craig Cody](#)

**Transcript**

**Mark:** Hey, it's Mark Podolsky, the Land Geek, with your favorite nichey real estate website [www.TheLandGeek.com](http://www.TheLandGeek.com). And I'm really excited for today's guest because we don't always have somebody that helps us with a major pain point and arguably probably the most important part of a business that people don't think about which is lowering your taxes. Could be your biggest expense if you are doing things right. But before we talk to our guest, I would be remiss if I didn't properly introduce my co-host—you know him, you love him—Six Sigma, Scott Todd from [ScottTodd.net](http://ScottTodd.net), [LandModo.com](http://LandModo.com), and most importantly if you're not automating your Craigslist and your Facebook postings, [PostingDomination.com/TheLandGeek](http://PostingDomination.com/TheLandGeek). Scott Todd, are you ready for this?

**Scott:** I'm ready, Mark.

**Mark:** All right. Just a quick reminder, listeners. Today's podcast is sponsored by [GeekPay.io](http://GeekPay.io). Just go to [TheLandGeek.com/GeekPay](http://TheLandGeek.com/GeekPay), get set up today, get your first note free. The only set it and forget it financial CRM. It is unbelievable [TheLandGeek.com/GeekPay](http://TheLandGeek.com/GeekPay) or check out [GeekPay.io](http://GeekPay.io). All right, today's guest is Craig Cody. Craig Cody is a certified tax coach, CPA. He belongs to a select group of practitioners throughout the country who undergo extensive training and continued education on various tax planning techniques and strategies in order to become, as well as remain certified.

With this organization, he has co-authored an Amazon best seller *Secrets of a Tax-Free Life*. In addition to his tax planning, his practice offers traditional tax services as well as off-site CFO services. With his dedicated and passionate team, they are able to provide daily guidance and advice to business clients. Their efficiency is embedded in our team concept. So Craig Cody, how are you?

**Craig:** I am doing great. Thank you very much for having me.

**Mark:** All right. Well, thanks for being here. So, let's rewind the tape a bit, Craig, and kind of tell us how you got started in tax planning and what you love about it.

**Craig:** Saving people money, okay? You know when you sit and you save somebody \$20,000, \$30,000, \$40,000; that's a real thrill. So, we got started on tax planning years ago when state tax was a lot lower; we used to do a state tax plan. We realized that we do plans for people and they have actually saved income tax too during the year. So, after the changes were made we started doing some research. And about six years ago we incorporated actual tax planning for business owners and real estate investors into our repertoire.

**Mark:** All right, fantastic. What are some of the worst advice you see or hear given in the tax planning world?

**Craig:** Probably the worst advice I see is when people owe money, "Well, go out and buy a car, go out and buy a truck, go out and buy something not real estate, something that you could write off." Now if you need that, that's a great idea. But I had somebody yesterday, "Yeah, my CPA just told me I need to go out and buy a truck." I'm like, "Do you need a truck?" He's like, "No." So, it's like spending money to get a tax reduction isn't really a good thing.

**Mark:** So, what are some things we can do to reduce or eliminate our taxes?

**Craig:** You know, I wrote that book *The 10 Most Expensive Tax Mistakes That Cost Business Owners Thousands*, it actually applies to real estate investors also. But the first thing we need to do is plan. People fail to plan. They go on to buy a car they spend time researching a car. People don't plan for their taxes, period. Like you said before taxes could be your biggest expense out there going up to 39 plus percent the state and or the city depending on where you are. So, it's important to plan. I would say the next biggest mistake out there we see is choosing the wrong business entity to operate out of. Are they an LLC? Are they a corporation? Are they an S

Corporation? Are they a sole proprietor? Those can cause a lot of different tax effects. So failing to plan, wrong business entity, are two big ones.

**Mark:** For real estate investors, what would you recommend as an entity?

**Craig:** Typically, you want to have your real estate inside of on an LLC. But then there are those that they are actually operating, they are doing flips and stuff like that so they are in the business of maybe that's not the right way to be inside of an LLC. Because you are in the business of as far as the IRS is concerned not like buying and holding real estate.

**Mark:** Like dealer versus investor.

**Craig:** Correct. Scott Todd, what are your thoughts?

**Scott:** So, if I'm in the wrong... I got set up as an LLC and I'm doing it and going through my taxes and I'm like, " This is going to hurt," can I still change it before I file my taxes? Can I switch over to S Corp or some other structure that just makes more sense financially?

**Craig:** Yes. You could actually make an election to be taxed as a corporation or an S corporation if you actually operate as an LLC. You can actually make that election retroactively if you need to. So, that's a tool that we use somewhat often.

**Scott:** Wow. That's kind of like a Ninja tip. If your taxes are too high, this way let's go over here. This way might be better, right?

**Craig:** You can't switch back and forth every year.

**Scott:** Yeah, yeah. But like if all of a sudden you have this big momentum, you have this monster year and it makes sense or you see a pattern and it just makes sense or something, your life is changed. Like for me one of the things that changed was that I was an employee, I was employee of another company and then I left that company and now I do this full time; I do real estate investing full time. So, maybe my tax situation has changed because my life has changed, but I still have this LLC. So, maybe I need to go and talk to someone like yourself to say, "Hey, my life has changed. What about the structure of my business? Would it make more sense if I'm over here?"

**Craig:** That's 100% correct. Things change and that's why the same technique that works for one person may not work for another because they have different lifestyles and different things going on. They are coming out

of a business, coming out of a W2 job. Did they come out of that job this year? Was it last year? So, all those things come into play.

**Scott:** Okay.

**Mark:** So, Scott and I have children. Scott's got two kids, teenagers. I've got three kids—pretty much all three teenagers. I don't know about you, Scott, but mine are not working for Frontier properties or Land Geek or Geek Pay. Are your kids working for any of your entities?

**Scott:** Yeah, they do. They don't do a ton of work but they do do some work.

**Mark:** So, Craig, it seems like Scott is doing things right by hiring his children and I'm doing things wrong by not hiring the kids. Can you kind of elaborate on that?

**Craig:** Sure, yes. Tax court has actually ruled that you can actually hire your children as young as seven years of age. I typically like to wait until they are around 11. But you can hire your child. You can pay them a reasonable wage. You need to document it. The money needs to go into their bank account. When my kids were younger, my youngest is now getting a Master's, so I'm kind of past this but they went to private schools and they used to work for me. The money went into their bank account and then the school drafted their bank account every month and that's how the tuition was paid. So, I effectively got a tax reduction for their tuition.

**Scott:** Oh, man. Mark, Mark, wait. Mark, what are you doing, man?

**Mark:** I am doing this podcast and I'm getting ready to pay the kids.

**Scott:** I think we need to like stop this podcast right now and go and change our lives.

**Mark:** I know. I know. So, what about college though? Scott's got his college paid for because he's in Florida and did something really savvy and already prepaid college. But like for me can I deduct the college education expenses?

**Craig:** Normally, no. There are some rules if the kids are over 21 but it has to be a benefit available to other people so let's just say no. But you can still pay them.

**Mark:** Okay. So, I am paying them and then they can set up retirement plans. They can do it rough.

**Craig:** Right. Typically the magic number is around 6000, 6500 where it's not taxable. So, they have got around 6500 worth of income they don't pay any tax on it, alright?

**Mark:** Okay, so 500 bucks a month to each kid?

**Craig:** Right. Now you have to make sure you document what they are doing so if the IRS comes up knocking, all right? So, if you set it up right and if you set it up under the correct entity, you may not even have to pay social security tax on that money.

**Mark:** So, what entity do I need to do?

**Craig:** Typically, you want to be a sole proprietor or a single member LLC, that's the way that's going to work, okay?

**Mark:** I'm a single member LLC.

**Craig:** Okay. But you may get benefits from being a single member LLC but they may be other benefits that you get from not being a single member LLC that far outweigh the factor tax that you may save on the child.

**Mark:** Right. So, it's not just Black and white?

**Craig:** It's not black and white and it also depends on how many entities you have.

**Mark:** So, I've got the gara-office which is 500 square feet working in my garage. Scott has... How many square feet is your little office there?

**Scott:** About 350.

**Mark:** That's not so little, Scott.

**Scott:** I know.

**Mark:** He's got a big house.

**Craig:** Okay.

**Scott:** That's about 10% of the house.

**Mark:** That's 10% of the house.

**Craig:** So, here is the way I... The home office deduction, years ago everybody was scared of taking a home office deduction but if you do it right, it's okay. Does it generate a huge saving? No, but it opens the door to other things such as the home athletic facility which could be your home gym or your pool. Now you get to deduct that.

**Scott:** Okay.

**Craig:** It also opens the door to travel. Now when you are going to, depending on what businesses you are checking on instead of just... Let's just say you are a dentist and you are working out of your dental office if you don't have a home office, your travel time is not deductible. But all of a sudden if you have a home office because you do a lot of work out of home, well, your travel is deductible. The same way with somebody that's dealing in real estate.

**Mark:** I love it. What are the benefits of writing a book on your business and what does that mean, writing a book on your business?

**Craig:** The benefit of writing a book on your business is it gives credibility. That's I believe the biggest thing out there is now... Because how many accountants do you know have written books? How many real estate investors do you know have written books? So, stuff like that. So, it gives you credibility. I have written two. I am actually going to offer a free copy to your listeners.

**Mark:** It's awesome.

**Craig:** Credibility, it's a big business card, you could look at it any way you want. It's a worthwhile endeavor.

**Mark:** So, I have written a book; it just hasn't gotten out there yet. I will get it out there Craig, don't worry. I do agree with that. Depreciation in taxes—what do we need to know about that?

**Craig:** Depreciation, we find so many mistakes with depreciation. People not depreciating things correctly, forgetting to put assets on the books, having residential real estate and then depreciating it by 39 years instead of 27 and a half years. Not optimizing depreciation. Not looking at course segregation. If you need to explain any of these things, just let me know to the audience. A lot of people can take advantage of course segregation and they don't and

it's a great planning tool. Of course, let's just say we have a couple of buildings and all of a sudden we are selling one and maybe we are going to have a big gain. Maybe we need to do a course segregation study and we pick up all that missed depreciation in that year which will offset that big gain. So, it's a planning tool.

**Mark:** I love it. I love it. What does it mean to not fall prey to tax paranoia?

**Craig:** I call that audit paranoia. I am not going to do it because I'm going to get audited. Well, nobody wants to get audited but you know what? If they audit you and you have everything documented if the court says you can do it, you can do it and everything is documented; that's fine. So, not doing things because you are worried you are going to get audited. Do it, do it right and document everything.

**Scott:** Craig, if I am putting everything on my credit card. I have a credit card that's dedicated to like my business whatever, do I need to keep all these stupid receipts or is the fact that it's business related hotel, do I need to keep all these receipts or is my credit card good enough?

**Craig:** Everything is electronic these days. I tell people I keep a big, brown envelope and any receipts I get I stick them in there. But we operate off of our business credit cards so everything we need is there. 99% of the time if you need to get something, you can get it from either the credit card company or the business. That being said if it's a big expense, I always say yeah, hold on to that receipt. The \$50 lunch throw it in the envelope but the \$10,000 whatever it is that you just bought, coaching program hold on to that.

**Mark:** I just bought... Sorry, Scott.

**Scott:** No, go ahead.

**Mark:** I just bought two e-bikes at Costco and I put them on my business credit card as exercise is that cushy?

**Craig:** Well, it's cushy if you have a home athletic facility.

**Mark:** I do. I mean I got the gara-office. I got TRX.

**Craig:** If you have a home athletic facility, then it's cushy. But if you didn't have that, that is really just the distribution of profits to the company. It's nondeductible.

**Mark:** Oh, Scott Todd, got to get yourself an e-bike.

**Scott:** What I need, Mark, is first I need a home athletic center like a pool. I got to put in a pool. So, is my pool deductible there?

**Craig:** Actually it is.

**Mark:** So, I have been personally for my pool maintenance, so now I can deduct it.

**Craig:** Right. You just have to document it, yes.

**Mark:** This is phenomenal.

**Scott:** Mark, listen. This is a great podcast maybe we should never go out, maybe we are getting such Ninja tips. Like I don't want to get audited but if I do, it's all recorded right?

**Mark:** Yeah, yeah. I mean why shouldn't anybody benefit from this?

**Craig:** Right, exactly and the court allows you to do it. The court allows you to do it.

**Scott:** You talked about planning and one of the things that I'm looking at kind of buying something for my business an asset for my business that would allow me to travel faster to see my land because I buy land all across the country. I am talking about a plane, right?

**Mark:** Scott is being very modest. He is getting his pilot license.

**Scott:** Yeah. So, I'm just thinking like if I had a company plane, well, a lot of the land that I buy is in fact rural, there is not like commercial service to there. I would have to fly maybe hours away—three hours away versus hey, I can get to there and it would be a smarter thing. You see people that are saying, "Well, it's not deductible," or whatever but I'm thinking like, "Man, here is an opportunity for me to go see my land. Here is an opportunity for me to go see these rural locations even decide if I want to invest and do so." But one of the things I kept reading is you should have a plan like right off the plan as to what you anticipate the benefits would be and then go back and counter those. So, that if in fact you were audited you can say, "Look here was original plan, here is how I was going to use it, here is how I am using it, here is why it all makes sense." Is that the right approach?



**Craig:** That's a good approach. So, what we do is, when a client comes to us and let's say that was one of the issues that they wanted to talk about, okay, we would all the research to make sure. Okay now this is how as part of your plan you need to do A, B, C, and D. These are the rules and this allows it to be deductible or this allows it to be 80% deductible and follow these rules and you will be okay. I am sure that plane you are going to land on those remote airstrips on your property, right?

**Scott:** Well, not on my property, nearby my property, yeah. Within a short drive of the property versus hours, three, four, five hours away because there is no commercial service that gets me there.

**Craig:** Correct. So, that would be something that we would incorporate into a plan when we do a plan for somebody.

**Scott:** Got it.

**Mark:** Craig, don't get mad at me but I am asking a very touchy sort of question. The reason I am asking you this is I have personal experience with this. So, I had a big group and I had a guy on my podcast and kind of similar to you and I went through some of the tax planning and they went through my numbers and said, "We can do tax planning for you but it's going to be an upfront investment of about \$40,000. Then after that it's going to be a little bit higher to just prepare your taxes every year but it's going to be really comprehensive in all this." So, I am kind of thinking to myself that seemed outrageous to me.

So, my question to you is what is a reasonable sort of expectation for tax planning services to have this firm sort of communicating with you, planning for you and then preparing your returns every year? Because the range is going to be crazy, right?

**Craig:** Right, right. So, when we do a tax plan, number one: our fee is 100% refundable. Nobody has ever asked for their money back. Our typical client is their first year ROI is around 400 to 500%. Well, I have been involved in tax planning larger than yours that's definitely not the norm. There was actually an outfit I think they were out of somewhere in the Midwest a number of years ago and they were doing plans like that and I think they got into trouble with the attorney general because they weren't cushy as you said before. So, that's a big number. Now if they were providing you with a benefit of \$400,000 or \$500,000, I would say that's probably a pretty good number.

So, we always look at first-year ROI and our plans are also 100% refundable. For us that involves ongoing communication and about a third of the people we do plans with actually they continue to work with us throughout the year. But our fees are based on the work that we are doing but the planning fee is a one-shot deal. Our clients we work with on a regular basis throughout the year. So, we just don't talk to them come April, March, because it's really all about communication. The doctor doesn't call you up and say, "Are you sick?" You go to the doctor. So we want to communicate with our clients.

**Mark:** Okay. That's good to know. That's really good to know. How many people go to you just for the planning and then have somebody else prepare their return?

**Craig:** I would say probably about two-thirds of the plans that we do wind up going back to their accountants that they have been using with the documentation to make sure it's getting done. Sometimes they have relationships. Sometimes they are drinking buddies. You know what I'm saying?

**Mark:** Right, right, right.

**Craig:** That's okay because you could take my plan and you could implement it with them because our plan has a tax code that says what you can do and we lay it out and we always communicate with the client. If they call us up, my theory is if you call me up in six months, I am going to answer your questions because if you are happy, guess what? You are going to refer me to other people.

**Mark:** Right. So, Scott, do you ever have this sort of... You don't have it because you have an accounting background but like I have this fear about garbage in garbage out with the bookkeeping. So, I got the greatest CPA in the world but if the numbers going on and the deductions and everything sort of being categorized aren't correct and I am relying on a bookkeeper who doesn't know, "Hey, Mark, you can deduct the pool and you can deduct the e-bikes," and they just putting it in as distribution, distribution it doesn't matter? So, Craig, where do we find the good bookkeepers or do we do it ourselves or with like QuickBooks Online?

**Craig:** Well, hopefully, QuickBooks Online is not a sponsor. I am not a big fan of QuickBooks Online only because it's not as robust as a desktop version. But with our clients, we actually do their bookkeeping. We have two bookkeepers on staff because if somebody else does it, I am going to go back and I am going to wind up having to fix it. So, it's just easier for

everybody. We typically do monthly calls with our clients so we go over things and there is always stuff that you don't what it is and you can remember it and 30 or 60 days you will remember it but six months or a year you may not remember what that e-bike was.

**Mark:** Yeah, that's absolutely true. Scott Todd, you have been very quiet.

**Scott:** I think that you kind of hit on it. One of the things when I was going through my taxes last month I'm looked at my financial statements I'm like, "Man, there was no way that my cost of land recovery was that low." It seems that it could be higher. Then I had to go in I had to like sample it because they are so many transactions you can't possibly go in and audit every single one of them.

So, I had to go in there and say, "Okay, look. Does this number look right to me?" I went back and sampled it, it was good but then you look at that bottom line like, "I made that much. You've got to be kidding me. That's how much taxes we are going to have to pay? It's ridiculous." So, I think you are right. If you get garbage data, it's all going to be garbage. Honestly, that's what I cover in that accounting class that I taught was to how to get the good data from the first day.

**Craig:** Yeah, that's really important. If you miss one of those land purchases and that's a distribution instead of asset purchase, it can make a big difference, especially on the sale.

**Scott:** Yeah.

**Mark:** All right, Craig, I'm sold. We are going to talk after this podcast I'm in. Scott, are you in?

**Scott:** I would like to know more, yeah.

**Mark:** I would like to know more. I want to get the Land Geek discount though. We will pitch for one.

**Craig:** Yeah, of course.

**Scott:** It's two for one I think, Mark.

**Mark:** It's a two for. It's a two for. Because what's interesting is our tax returns were so complicated that we drove our current CPA out of the business. I am not joking.

**Scott:** No joke, man. Like no joke he's gone.

**Mark:** He's gone. Like I got someone local right now doing it but it's not ideal. Well, he's not bad. I don't know. The funny thing about CPAs is like dentists you don't know a good dentist unless another let's say dentist looks in your mouth and says, "Oh, that's some good work." How do you know if you have a good CPA, Craig?

**Craig:** First of all, most CPAs are really good at putting the right numbers in the right boxes, okay? So, compliance work—they are going to be doing the right thing. How do you know whether you have a good one versus a bad one? I always say when was the last time your CPA came to you with an idea to save money, okay?

**Mark:** That's a drop the mic question.

**Craig:** I normally get that glazed over look and it's, "No, he came to us with an idea to save money." So, that's one way to tell whether you are working with somebody that's being proactive or somebody that's just being reactive and putting the right numbers in the right boxes.

**Mark:** Mine is reactive. Scott, reactive or proactive?

**Scott:** That's the wrong answer, Mark, because I went with your next guy.

**Mark:** Well, look. We've got an answer here that's why we have the podcast is to meet the Craig Cody's of the world and get our pain points solved.

**Craig:** Right. I am in New York. We have clients as far away as Oregon. So, the internet is a wonderful thing, right?

**Mark:** It really is. I mean it really shrinks everything. All right, Craig, we are now at that point in the podcast, your mentorship has been amazing, invaluable, I think you just got two more clients. So, it was worth time just to come. Since I'm really kind of like the host and Scott is co-host...

**Craig:** So, you get the discount and he doesn't.

**Mark:** Well, I would like to get his discount sure. Look, Scott is a little overwhelmed with money as it is.

**Scott:** Oh no, Mark, no, no, no, no, no.

**Mark:** Look, this guy is thinking about buying a plane; I'm not.

**Scott:** No, I am looking for tax advantages same as you, Mark. You've got the pool. You have the corporate work out center. I don't.

**Mark:** All right, all right, fine. I just like to haze, Scott. Okay, so what is your tip of the week: a website, a resource, a book—something actionable where the Art of Passive Income listeners can go right now—improve their businesses, improve their lives. What have you got?

**Craig:** You know, the first thing that comes to mind is I'm reading a book or listening to a book on Audible, *Extreme Ownership*.

**Mark:** Oh, Jocko.

**Craig:** Yeah, that's a great book and there is just so many nuggets in that book of communicating with people and stuff like that. I think on Audible it might be like seven hours or something like that but it's a great book. There is a lot of good information in there.

**Mark:** But what's your biggest take away from that book?

**Craig:** First of all, you realize how messed up war... I mean if you didn't war is messed up, you really realize, wow it's bad. Then you realize how these guys they have learned so much and they can adapt that and take it to those of us in the private sector. So, my biggest tip is you know what? They always figure out a way to do it. We can always figure out a way to do it.

**Mark:** I love it. Scott Todd, what's your tip of the week? Scott, you are on mute.

**Scott:** Sorry about that. Check this app out. I just put it in the chart to you two but it's called Undisturbed. It's a Mac app. I know you like to tell Siri on your Mac Book, "Hey do not disturb," and she shuts off everything. But you know what she doesn't shut off? Any of the notifications that are on the bottom of the dock and everything. So check out this app because it makes Mac OS really distraction free. It's like the ultimate do not disturb, goes up in your launch bar up at the top. It's pretty cool. Now the negative is that it's not in in the Mac Store which I know you love but it's free.

**Mark:** Well, free is nice. All right. I just did it.

**Scott:** Look at it. Check it out. It's pretty cool.

**Mark:** This is great. I'm opening it. "Undisturbed can't be opened because the identity of the developer cannot be confirmed." Okay, so I need to go into the settings.

**Scott:** You go to the settings, yeah.

**Mark:** So, we go to the settings and do it. Awesome, I love that tip. Well, my tip of the week is learn more about getting a 300 to 500 % ROI on your tax planning at [CraigCodyAndCompany.com](https://craigcodyandcompany.com). Did I say that right, Craig?

**Craig:** Yap.

**Mark:** [CraigCodyAndCompany.com](https://craigcodyandcompany.com), we will have a link to that website. Craig, what's your generous offer?

**Craig:** Okay, if they go to [CraigCodyAndCompany.com/TheLandGeek](https://craigcodyandcompany.com/TheLandGeek), they can request the free copy of our latest book *The 10 Most Expensive Tax Mistakes That Cost Business Owners Thousands*. So, we will actually send you a paper copy, autographed.

**Mark:** Oh, phenomenal.

**Craig:** Autographed.

**Scott:** Wow.

**Mark:** Phenomenal. Autographed, too?

**Craig:** Autographed.

**Mark:** All right, wow. I am going to do that right now. Is it ready yet?

**Craig:** Oh, yeah.

**Mark:** It's all ready?

**Craig:** No, it might not be up there right now.

**Mark:** Okay. All right, no worries. That's fantastic. Craig, this has been a really great podcast. I want to just thank you. I want to just thank all the listeners and just remind them the only way we get the quality of guests like a Craig Cody like [CraigCodyAndCompany.com](https://craigcodyandcompany.com) is if you do us three little favors. You've got to subscribe, you've just got to rate and review the podcast. Send us a screenshot of your review to

Support@TheLandGeek.com. We are going to send you for free our \$97 *Passive Income Launch Kit*, for free. So, please do that. Also, just to remind everybody that today's podcast is sponsored by [GeekPay.io](https://GeekPay.io). You can just go to [TheLandGeek.com/GeekPay](https://TheLandGeek.com/GeekPay) and get signed up for free on your first note. Scott Todd, are we good?

**Scott:** We are great, Mark.

**Mark:** I am really excited. I think all our problems have been solved.

**Scott:** Don't let the IRS get your money, man, that way you can really let freedom ring.

**Mark:** We got to let freedom ring.

**Scott:** See how I did that? That was good.

**Mark:** It was good. Craig Cody, thank you so much. Are we good?

**Craig:** Yeah. Thank you very much for having me guys, I appreciate it.

**Mark:** All right, well, let freedom ring listeners and we will see everybody next time.

*[End of Transcript]*