



# IS IT DEDUCTIBLE?

For every possible business deduction, there is a “yes, but...” aspect. This list will give you an idea of the types of expenses you may be able to deduct, but make sure you understand the conditions required for each. They may or may not be deductible in your case. Be sure to consult your tax professional.

The IRS’ general rule of thumb for deductible business expenses is that the expenses must be both “ordinary and necessary” to running your business. An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary.

Generally, you cannot deduct personal, living, or family expenses. However, if you have an expense for something that is used partly for business and partly for personal purposes, divide the total cost between the business and personal parts. You can deduct the business part. Keep very good records.

While certain expenses are specific to what kind of business you run, here are some of the most common tax deductions available for most small-business owners:

## Home Office

If you use a room or space in your house or apartment exclusively as a home office space you can deduct expenses for the business use of your home, including mortgage interest, insurance, utilities, repairs and depreciation. The simplified version of this deduction allows small-business owners to deduct \$5 for every square foot of your home office, up to a maximum of 300 square feet. Remember, to qualify, the area for the home office must be used exclusively for business purposes on a regular basis. If your home office doubles as a guest room for your mom when she’s in town, then it doesn’t count.

## Office/Warehouse/Co-Working Space/Virtual Office Rent

**Advertising and Marketing** – including your website costs, trade show expenses, advertising costs, photography, agency or freelancer expenses, etc.

**Office Supplies and Expenses** including utilities, repairs, postage, office equipment, cleaning, paper, printer ink, etc.

## Personal Car used for Business

1. **Use the standard mileage rate.** You must keep a detailed log. Tolls and parking fees may be added to this amount.
2. **Add up your actual car-related expenses.** (You can’t do both.)

## Business Travel

**Meals.** You can deduct 50% of the costs for actual business lunches. This does not include grabbing lunch on the way to an appointment. Meals must have a business purpose. “Entertainment Expenses” like sporting events or concert tickets for your clients are no longer deductible. The costs of providing meals for your employees at a company picnic or a holiday party, however, are still fully deductible!



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**Salaries and Employee Benefits/Independent Contractors** - Be sure you are following all of the laws related to hiring employees and contractors (freelancers)

**Taxes** – Some taxes, including business property taxes, payroll taxes, and franchise taxes. Income tax is never deductible

**Insurance** – professional liability, malpractice coverage, cyber liability coverage, and other business-related insurance are all fully deductible.

**Legal and Professional Fees** related to your business. This includes your accounting, bookkeeping, and tax prep fees.

**Debt Interest on business loans and business credit cards**

**Depreciation on property owned by your business.**

**Commissions and fees**

**Rent on machinery and equipment.** Fees paid to lease or rent items used in your business are fully deductible.

**Retirement plans.** Self-employed business owners have a wide variety of retirement plans available — Individual Retirement Accounts (IRA), Simplified Employee Pensions (SEP) and Keogh accounts. You can deduct contributions made to these plans, and their income is tax deferred.

**Continuing Education.** Continuing education that you must or choose to complete to maintain or improve skills required in your present employment or required by your employer or as a legal requirement (licensing) of your job or profession. You can't deduct education expenses for a career change or to start a new business.

**Gifts.** You can deduct gifts valued at up to \$25 per person per year. So if you give out Christmas gifts to clients, or give presents to your staff after you've won a new contract, you may be able to deduct at least part of the cost. (Yes, we know most gifts cost more than this, but you can only deduct \$25.)

**Professional publications.** Magazines, newspapers, newsletters or books related to your profession or operating your business are deductible.

**Professional associations.** You can deduct dues for joining a trade association, your chamber of commerce, or any other professional group. On the other hand, you cannot deduct dues for a private club such as social and athletic clubs.