

# Tax Deductions for Contractors & Sub-Contractors

## Income

Gross receipts from sales and/or services	Copies of checks and statements from sales, service, commissions, bonuses, and 1099 Forms
Other Income	Income from ownership in another business (K1 forms) interest on bank accounts or loans made to someone else

## Expenses

Accounting/Payroll	Accountants, accounting software, payroll companies, tax preparation, bookkeeper, etc.
Advertising	Business cards, social media, open houses, flyers, product testing, videos, and CDs
Bad Debt	Money loaned or invested that there is no hope of recapturing
Bank Charges	Fees charged by banks to maintain an account, wire fees, ATM withdraw, or other bank services
Children Paid	Money paid to children for helping with such things as delivering flyers and/or product, stuffing envelopes, cleaning office and/or car, modeling. <b>Must keep a detailed log of tasks and how paid.</b>
Computer, Internet, and Tech	Software, Online services, Internet expense, computer maintenance
Delivery or Shipping	Cost to deliver or ship materials
Depreciable Tools	Tools that cost more than \$500 and will last more than 3 years
Dues and Subscriptions	Dues to professional organizations and magazines that have to do with your trade or business
Dump Fees	Fees you pay to haul off trash and waste
Education	Books, classes, or seminars that you take to improve your business
Employee Costs	Board and staff meetings, training, educating employees, and employee benefit programs
Equipment	Compressors, trailers, scaffolding, generators, welding equipment, etc.
Equipment Lease	Tools and equipment you rent or lease that you keep for a long period of time
Equipment Rent	Any tools or equipment you rent or for a one time job
Gifts	Gifts to clients and associates limited to \$25 per person per year

Home Office	A separate room in your home to do business and accounting. A percentage of utility bills, home owners or renters insurance, property tax, mortgage interest, refinance fees, repairs and maintenance, cleaning supplies, office decor, etc may be taken. It is determined by square footage of office space vs square footage of the entire house
Insurance	Liability, vehicle insurance, bonds, health insurance for employees, and workers compensation insurance, key man life, and/or property crime
Interest	Interest paid on construction loans, equipment loans, credit cards, vehicles, and/or mortgage interest on building or shop, etc.
Janitorial Expense	Costs for an individual or company to clean office space, shop space, and grounds
Laundry and Cleaning	Includes uniforms and protective clothing and also your clothing when you are out of town
Legal and Professional Services	Attorneys, accountants, inspectors, appraisers, franchise fees, architects, engineering, etc.
Meals	Meals with clients, potential clients, and associates. Note: entertainment is no longer deductible
Materials - Cost of Goods Sold	Anything you put into a building or service that stays with the building
Mileage or Vehicle	Expenses for all company vehicles including repairs, maintenances, fuel, insurance, vehicle washes, licensing, interest on loans, etc. Mileage can be taken fro personal vehicles used in part for business
Merchant Fees	Credit card convenience fees to take payments by credit card such as merchant services Square, PayPal, etc.
Office Expense other than consumables	Office supplies, computer supplies, Internet, postage, phone apps, beverage services
Officer Wages	The IRS law states that an officer (owner) of a corporation, must be paid a reasonable wage for services rendered to the company. They mus be paid with a W-2 just like all employees.
Outside Services	Companies you hire to perform services for your company for example consulting, trash bins, sanitation, etc.
Printing	Brochures, forms, signs, etc.
Protective Clothing	Coveralls, boots, hard hats, globes, coats, uniforms, etc. Uniforms include shirts, hats, and jackets that have the company logo on them
Purchases	Any equipment, office furniture, computers, vehicles that cost over \$500
Realtor Fees	The commission you pay to a Realtor to sell a property
Rent	Office, shop, storage units, etc.
Repairs	Repairs both office and construction equipment and tools
Returns and Allowances	Money refunded for returned products or services, discounts given and rebates on sales
Security	Cameras, alarm systems, guard dogs, or anything used to protect property

Shop/Warehouse Supplies	Things you use that don't stay with the property and/or used in the shop
Small Tools and Equipment	Tools that cost under \$500 and last less than three years such as hammers, screwdrivers, sockets, small saws, etc.
Startup Costs	Costs you incur before you open the doors for business, such as setting up accounts, research, advertising, etc. Limited to \$5000 in one year
Sub-Contractors	People or companies you hire on a job by job basis to do part of a job. Individuals paid over \$600 must be given a 1099 Misc
Taxes and Licenses	Property tax, payroll tax, corporation tax, etc. Business, professional, state, and city licenses
Telephone	Cell phone, extra phone lines into home for business, fax, Internet, office land line, phones for employees
Trade Shows	Shows that you have a booth in or shows that you attend to check out current trends in the industry
Travel	Hotels, airfare, cab fare (ex. Uber or Lyft), public transit, parking, cleaning while away from home, business trip log, bus, train, etc.
Website Expense	Internet hosting and services, website design, and maintenance