

Tax Deductions for Business Owners

Income

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

Expenses

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| Accounting | Receipts for accounting, computer programs, tax preparation, and phone apps |
| Advertising | Business cards, information packets, free samples, flyers, product testing, social media, contest prizes, promotional costs that create good will such as sponsorships of sports teams |
| 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. Must keep a detailed log of tasks and how paid. |
| Commissions and Fees | Commissions to sales people, or anyone who gets paid by a percentage of sales or work done. |
| Computer, Internet, and Tech | Software, Online services, Internet expense, computer maintenance |
| Contract Labor | Services paid to individuals and sub-contractors. You must issue a form 1099 MISC to any individual that is paid over \$600 in a year. |
| Costs of Goods Sold | Cost of products sold whether sold wholesale or retail, materials and labor costs to produce a product |
| Dues and Subscriptions | Dues to professional organizations and magazines that have to do with your trade or business |
| Educational Expense | Classes or seminars that you take to improve your business, maintain licensing, and improve skills. Includes classes, conventions, books, seminars, trade shows, etc. |
| Employee Costs | Board and staff meetings, training, educating employees, and employee benefit programs |
| Equipment Purchased | Any equipment purchased for the ordinary and necessary operation of the business |

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| Event Expense | Exhibits for publicity. Costs include venue expense, displays, food, samples, etc. |
| 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 | Professional insurance, liability, vehicle, health, property, key man life, unemployment, workers comp, errors, omission, employee group, cyber liability |
| Interest | Interest paid on loans for equipment, mortgages, business buildings, business loans, lines of credit, credit cards, 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 when you are out of town |
| Legal and Professional Services | Attorneys, accountants, inspectors, appraisers, consultants, franchise fees, investment advice, moving offices, outside services |
| Licenses | Professional license, city license, event permits and state licenses |
| Materials | Anything used to produce a product or to build or add to a project |
| Meals | Meals with clients, potential clients, and associates. Note: entertainment is no longer deductible |
| Merchant Fees | Credit card convenience fees to take payments by credit card such as merchant services Square, PayPal, etc. |
| Mileage | There are two ways to take a vehicle expense. If you choose mileage, you take the mileage used when picking up product, supplies, office supplies, meetings, handing out advertising or business cards, meals with clients, etc. The second option is Vehicle (see Vehicle deduction). |
| Office Expense other than consumables | Office supplies, computer supplies, Internet, postage, phone apps, beverage services |
| Office Space Rent | Rent for a separate office outside your home, rental fees for equipment booths for shows, technical equipment, storage of equipment, and records |
| 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 must be paid with a W-2 just like all employees. |
| Printing | Brochures, forms, signs, etc. |
| Purchases | Any equipment, office furniture, computers, vehicles that cost over \$500 |
| Repairs | Repairs to equipment such as computers, office equipment, non-office equipment, buildings, etc. |
| Research and Development | Cost to create or improve products or services. Includes materials, labor, and education |

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| 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 |
| Shipping/Postage | Cost to mail or ship products and general postage |
| Small Equipment | Any equipment that costs less than \$500 |
| 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 |
| Supplies | Product samples, supplies to demonstrate products, refreshments, and supplies for meetings |
| Taxes | Taxes on property, payroll, sales tax, real estate, regulatory fees, business tax |
| Telephone | Cell phone, extra phone lines into home for business, fax, Internet, office land line |
| Travel | Hotels, airfare, cab fare (ex. Uber or Lyft), public transit, parking, cleaning while away from home, business trip log, bus, train, etc. |
| Utilities | Electricity, gas, water, sewer, trash, HOA fees for office, shop or any other facility. See Home Office deduction for deductibility of home utilities |
| Vehicle | There are two ways to take a vehicle expense. If you choose vehicle, you take the expense using the vehicle: fuel, parts, mechanics, oil changes, car washes, insurance, etc. Along with taking the vehicle expense you can also depreciate the vehicle. Note that unless the vehicle is used solely for the business you must track business use vs. personal use. The second option is Mileage (see Mileage deduction). |
| Wages | Salaries, wages, bonuses, and commissions paid to employees. An Employee is an individual who an employer controls where, when, and how the work is done, hours worked and use of equipment. |
| Website Expense | Internet hosting and services, website design, and maintenance |