

BUSINESS DEDUCTIONS

Expenses can be deducted if they are ordinary and necessary:

- Ordinary means that someone else who has a business like yours would likely have a similar expense
- Necessary means that you needed to spend this money in order to operate your business

In general, business expenses are deductible if they are reasonable costs you wouldn't have incurred if you didn't have your business. A list of common deductible business expenses follows. You may have expenses, unique to your business, that aren't on this list. If they are ordinary, reasonable, and necessary for your business, they are deductible.

- Advertising and promotion, including contributions that result in publicity for the business
- Accounting, consultation, and bookkeeping fees (including costs for preparing the business portion of your tax return)
- Bank service charges and fees
- Car and truck expenses. You can use either the mileage rate method (56.5¢ per mile for 2013, 56¢ per mile for 2014) or the business-use percentage of the actual auto expenses you incurred (gas, insurance, repairs, lease payments or finance charges, depreciation, etc.). If you use the standard mileage rate, you can also deduct the finance charges as well. Don't forget the miles you drive on business errands such as going to the bank, picking up office supplies, and going to the post office.
- Credit card annual fees for cards used in your business. If your card is used partly for business and partly for personal expenses, pro-rate the fee accordingly.
- Computer supplies and repairs
- Depreciation on business furniture, equipment and vehicles. Under Section 179 of the IRS code, up to \$500,000 worth of items purchased in 2013 can be depreciated in full on your tax return. Limits apply to most vehicles. Bonus depreciation of 50% is available for 2013. For 2014, the maximum Section 179 deduction is reduced to \$25,000. Bonus depreciation expires January 1, 2014. *(Limits for 2014 are current as of the time of publishing.)*
- Depreciation on assets converted to business use from personal use
- Dues, subscriptions, and fees
- Education, including seminars and conferences that increase your knowledge and skills. However, you can't take a business deduction for the cost of education that prepares you for a new line of work or career.
- Employee pensions and benefit programs
- Expense reimbursements to employees
- Company picnics, business related holiday events, employee meals for the convenience of the employer. These are 100% deductible.
- Equipment, including computers
- Fringe Benefits for employees
- Furniture and decor for your office or home office
- Gifts to business associates or clients (up to \$25 per person per year is deductible) *(May qualify as Promotion)*
- Home office expenses, if you qualify. You qualify to take the deduction if you have a space in your home that's used regularly and exclusively to do the administrative work for your business. If you claim the deduction, you can choose to deduct the standard rate of \$5 per square foot of home office space *(not to exceed 300 square feet)* or the business percentage of all related expenses (i.e. insurance, real estate tax, mortgage interest, rent, maintenance, etc.). Even if you don't claim the home office

deduction, you still can deduct other expenses and the purchase cost of such items as a file cabinet or desk. *Note: Repairs in the office are "direct" expenses and fully deductible. The business percentage is based on the size of the office relative to the home's total square footage.*

- Insurance. This includes liability, malpractice, business overhead, workers compensation, and other business-related insurance.
- Interest on business credit cards and loans. As with credit card fees, interest on a card used for both personal and business expenses must be pro-rated. Documentation is required to prove the allocation.
- Internet and email expenses used for business
- Legal and professional fees
- Licenses and fees
- Magazines and books that you need for your business. General circulation publications, including the local newspaper, are usually not deductible.
- Maintenance and repairs on equipment and office or store space
- Meals and entertainment
- Office supplies
- Pager and answering services
- Parking and tolls
- Payroll taxes that you pay on behalf of your employees (*But not the taxes withheld from your employee's paychecks.*)
- Postage, delivery, and freight costs
- Printing, copying, and fax charges
- Promotion (*No deduction is allowed for your time.*)
- Reimbursements
- Rent of equipment, storage space, and office space
- Small furnishings and equipment
- Small tools
- Subcontractors and consultants
- Taxes. Business and personal property tax on assets
- Telephone. You can deduct long distance business calls made from home even if you don't qualify for an office-in-home. Monthly service charges are deductible only if you have more than one phone line in your home and it is used for business.
- Travel for business, including costs to go to seminars and conferences. Deductible travel costs include hotels, airfare, taxis, car rentals, tips, and so on. These expenses are 100% deductible. Travel meals are 50% deductible. Document travel meals separately in case it is more beneficial to use the per diem rate for meals rather than actual expenses.
- Uniforms, unique, or special work clothing (i.e. steel-toed boots or coveralls)
- Utilities
- Wages, commissions, and salaries paid to employees

Note: *All deductions must be substantiated with written records. Payments should be made by check, credit or debit card, or electronic funds transfer. Special record keeping requirements apply for travel, meals and entertainment expenses, gifts and auto expenses.*

See your tax professional for details regarding these requirements.