

BUSINESS DEDUCTIONS

Ordinary and Necessary

Expenses may be deducted if they are ordinary and necessary.

- Ordinary- another company in the same line of business would likely have a similar expense.
- Necessary- the expense is needed in order for the business to operate.

Common business deductions:

Note: A business might have unique expenses not listed below. However, if the expenses are ordinary, reasonable, and a business necessity, they are generally deductible.

Car and Truck Expenses

- Standard Mileage Rate: (57.5¢ per mile for 2015/ 54¢ per mile for 2016) this includes miles driven on business errands such as going to the bank, picking up office supplies, and going to the post office. Note that finance charges are also deductible.
- OR-
- Business Use Percentage: The actual auto expenses incurred (gas, insurance, repairs, lease payments or finance charges, depreciation, etc.).

Insurance

- Insurance: Liability, malpractice, business overhead, worker's compensation, and other business-related insurance

Property, Plant, & Equipment

- Rent of equipment, storage space, and office space
- Equipment (including computers)
- Small tools and equipment
- Furniture and décor for the business office or home office
- Maintenance and repairs on equipment, office, or store space
- Depreciation on business furniture, equipment and vehicles
- Depreciation on assets converted to business use from personal use

Home Office

Space in a house that's used regularly & exclusively to do the administrative work for a business.

- Standard rate per square foot: Cannot exceed 300 square feet
-OR-
- Business Use Percentage: All related expenses (i.e. insurance, real estate tax, mortgage interest, rent, maintenance, etc.)

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.

Meals & Entertainment

- Meals and entertainment (50%)
- Company picnics, business related holiday events, employee meals for the convenience of the employer are 100% deductible.

Payroll

- Wages, commissions, and salaries paid to employees
- Employee pensions and benefit programs
- Fringe Benefits for employees
- Payroll taxes paid on behalf of employees, but not the taxes withheld from employee's paychecks.

Professional Fees

- Accounting, consultation, and bookkeeping fees (including costs for preparing the business portion of tax returns)
- Legal and professional fees

Travel

- Travel for business, including costs to go to seminars and conferences.
- 100% deductible travel costs include hotels, airfare, taxis, car rentals, tips, etc.
- Travel meals are 50% deductible.
Note: Document travel meals separately in case it is more beneficial to use the per diem rate for meals rather than actual expenses.

Other

- Advertising and promotion, including contributions that result in publicity for the business
- Bank service charges and fees
- Credit card annual fees for cards used in the business. If a card is used partly for business and partly for personal expenses, pro-rate the fee accordingly.
- 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.
- Computer supplies and repairs
- Dues, subscriptions, and fees.
- Education, including seminars and conferences that increase knowledge and skills. However, a business deduction for the cost of education that prepares an individual for a new line of work or career is not deductible.
- Gifts to business associates or clients (up to \$25 per person per year is deductible)
- Internet and email expenses used for business
- Licenses and fees
- Magazines and books needed for the business. General circulation publications, including the local newspaper, are usually not deductible.
- Office supplies
- Parking and tolls
- Postage, delivery, and freight costs
- Printing, copying, and fax charges
- Subcontractors and consultants
- Taxes: Business and personal property tax on assets
- Telephone expense
- Uniforms: unique, or special work clothing (i.e. steel-toed boots)
- Utilities

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.