

Business Deductions Will Help

Reduce Your Taxes

Are you paying more income taxes than you need to? To reduce your tax liability, you either need to make less money or deduct more expenses. It's easy to miss taking some deductions because you don't know about them, you forget about them, or your business records don't adequately reflect the expenses you've incurred.

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 costs you wouldn't have had if you didn't have your business. In other words, if you would have had this expense, even if you didn't have your business, it's probably not deductible.

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 and necessary for your business, they are deductible.

- Advertising and promotion, including charitable contributions that result in publicity for the business.
- Accounting and bookkeeping fees (including the portion of your tax return preparation fee that includes your business return)
- Bank service charges
- Car and truck expenses. You can either use the mileage rate method or the business percentage of the actual auto expenses you had (gas, insurance, repairs, lease payments, car depreciation, etc.) Don't forget the miles you drive on errands such as picking up office supplies and going to the post office.
- Contract labor, including subcontractors and consultants. It's best to list these expenses on your return in the category of expenses covered (i.e. 'graphic artist', 'computer consultant', etc.) rather than listing them as 'independent contractors'.
- 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.
- Dues and fees
- Education, including seminars and conferences that increase your knowledge and skills. You can't deduct the cost of education that prepares you for a new line of work.
- Employee pensions and benefit programs
- Entertainment and business meals (these are 50% deductible)
- Equipment, including computers (see information about depreciation.)
- Furniture for your office or home office
- Gifts to business associates or clients (up to \$25 per person per year is deductible)

- Home office expenses, if you qualify. The rules for deducting a home office have relaxed as of 1999. 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, the business percentage of all related expenses (i.e. insurance, real estate tax, mortgage interest, rent, maintenance, etc.) can be taken. Even if you don't claim the home office deduction, you still can deduct phone expenses and the purchase cost of such items as a file cabinet or desk.
- Insurance. This includes liability, malpractice, business overhead, workers compensation, and other business-related insurance. Disability insurance is not deductible.
- Interest on business credit cards and loans. As with credit card fees, interest on a card used for both personal and business expenses needs to be pro-rated.
- Legal and professional fees, including costs for preparing the business portion of your tax return
- 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
- Office supplies
- Online fees, based on the percentage you use the Internet for business
- Parking and tolls. Don't forget to include the amount you spent on parking meters.
- Payroll taxes that you pay on behalf of your employees (not the taxes that are withheld from your employee's pay checks.)
- Postage, delivery, and freight costs.
- Printing, copying, and fax charges.
- Rent of equipment and store or office space
- Small furnishings and equipment
- Small tools
- 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.)
- 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 only 50% deductible.
- Uniforms or special work clothing (i.e. steel toed boots or coveralls)
- Utilities
- Wages paid to employees

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