

List of Items to Use for Business Deduction

Note: This is not intended to be a complete list, however it does cover most common deductions. As a general rule of thumb, if you have an expense related to the business, you can use it. **No YOU CAN NOT USE ITEMS USED PERSONALLY!!!** You must keep receipts. If you have a separate business bank account the IRS will sometimes allow you to use bank statements.

Note – if you create a loss for the business – certain things will become no longer deductible – like in home office and section 179 depreciation expense – either decrease it or allow it to roll over to the next year. Also please note if you have a loss for more than 5 years, you can be deemed to have the business as a hobby, and therefore the losses will not be allowed anymore.

Ways to avoid an audit: Ensure you have keyed in 100% of your income (all w-2's, 1099's, etc) – if you miss one, they will catch it – they match each form to the tax return – this will trigger an audit. Watch the items I have listed as highly audited areas – I have given recommended guidelines for those.

Questions? You can always message me.

Discussion: You will pay 15.3% self employment tax on any profit that you show on the business (after you have taken all deductions) – I am happy to discuss S-Corporations, LLC's, etc – which take that 15.3% out of the equation. Note – You will have to pay a salary usually equal to at least 15,300 if you made that and pay tax 15.3% tax on it, if you didn't make that much – consult with me or another CPA on how much salary you need to take. Note – do not do a single member LLC – that does absolutely nothing for you since you still have to file a schedule C.

You will need your health insurance cost – that goes on the form 1040 line 29. Some softwares allow you to key that in at the Schedule C screen.

Advertising (Car Magnet, Window Decal, any ads run, catalogs bought, etc, any promotional items with plexus stickers on them)

Car/Truck Expense – you can elect to use mileage at 56 cents a mile, or use actual receipts related to business use of car (gasoline, etc). If you want to really get technical you can add the automobile and depreciate it at the % used for business – only available with actual expenses. Note a mileage log does not have to be formal – it can be on paper, but must list date, start mileage, stop mileage, and where you went.

Contract Labor – if you use anyone to assist you with the business – Note you must issue a 1099 if the amount to each person is over \$599.

Legal/Professional Fees – Including amount paid to have taxes done last year or software purchased.

Gifts – can be given to each client, can't exceed \$30 per person, must keep receipt and write who you gave the gift to. Again another highly audited area.

Office Expense – Office Supplies (pens, paper, toner, business cards etc).

Any rents paid to do a seminar, etc.

Taxes/Licenses associated with business

Insurance – Not health insurance related. General Liability Insurance, etc.

Equipment Rent (Chairs rented for an event, etc)

Travel – Plexus Convention – IE Hotel, Airfare, Taxi, etc. Did you go to any other meetings?

Meals and Entertainment – must have business purpose, must keep receipt and write on it who was with you. Again another highly audited area.

Interest – amount paid to banks etc for business purposes – Again, another highly audited area.

Cell Phone – the portion attributable to your business. – Very highly audited – recommended no more than 50% for your portion of the bill.

Purchases of any equipment for business use – or if you have personal you are using for business take that % related to business.- this is depreciated – you can elect section 179 expense which depreciates the entire amount related to business (note there is a limit which changes each year) – the software knows and will roll over to the next year if you do too much.

Pager

Parking, tolls, etc

Supplies for Business – ie tablecloths, plastic cups, etc, samples of plexus.

Dues/Subscriptions – the amount you paid to get your website during the year, any other related subscriptions to magazines, etc.

In Home Office: - Very Highly Audited Area!!!! – Office Space is defined as a separated area – must have a door – do not go over 10% - it is an automatic flag unless you run a daycare.

You will need to gather the total square footage of your residence and the total square footage of the office space used)

All numbers are keyed in as totals, the software will divide out based upon percent calculated when you key in the square feet.

Utilities – Home – all utilities including telephone

Internet

Security

Homeowners/Renters Insurance

Repairs/Maintenance to the residence

Mortgage Interest – Home

Real Estate Taxes – Home

You can elect to depreciate your home as well – not recommended since when you sell the home you have to recapture – and again it is based upon percentage of use – ie the office space.