

BUSINESS DEDUCTIONS - 2015

Expenses can be deducted if they are ordinary and necessary:

- Ordinary means that someone else who has a similar business would likely have a comparable expense.
- Necessary means that you were required to spend this money in order to operate your business.

In general, business expenses are deductible if they are reasonable costs you would not have incurred if you did not have your business. A list of common deductible business expenses follows. You may have expenses, unique to your business, that are not on this list. If they are ordinary, reasonable, and necessary for your business, they are deductible. **Note:** *The personal-use portion of any of the below expenses is not deductible.*

- Advertising and marketing.
- 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 (*57.5¢ per mile for 2015*) or the business-use percentage of the actual auto expenses you incurred (*gas, insurance, repairs, lease payments or finance charges, cleaning, depreciation, etc.*). If the standard mileage rate is used, you can also deduct a percentage of the finance charges. Deducting lease payments requires additional reporting requirements, so check with your tax advisor. A mileage log is necessary to support your deduction, including date, mileage driven, and business purpose of the trip. Remember the miles you drive on business errands such as going to the bank, picking up office supplies, and going to the post office.
- Cell phone, air cards, data plans, and related expenses. If your only phone is your cell phone, the deductible portion is equal to the additional plan costs due to business use. If you have another phone line, the business use percentage of the cell phone is a business deduction.
- Credit card annual fees for cards used in your business. If your credit card is used for business and personal expenses, the credit card fees are pro-rated.
- Computer upgrades, supplies and repairs.
- Depreciation on assets converted to business use from personal use.
- Depreciation on business furniture, equipment and vehicles. Under code section 179, up to \$25,000 worth of items purchased in 2015 can be depreciated in full on your tax return. Limits apply to most vehicles.
- Dues, subscriptions, and membership fees.
- Education, including seminars and conferences that increase your knowledge and skills; however, a business deduction for the cost of education that prepares you for a new line of work or career is not allowed as a business deduction.
- Employee pensions and benefit programs.
- Expense reimbursements to employees. (*You should have a written accountable reimbursement plan.*)
- Company picnics, holiday events (*business related*), employee meals for the convenience of the employer (*these are 100% deductible*).
- Equipment, including computers (*see information about depreciation*).
- Fringe Benefits for employees.

- Furniture and décor for your office or home office. *(Subject to depreciation limitations.)*
- Gifts to business associates or clients (up to \$25 per person per year is deductible). *(May qualify as Promotion instead.)*
- Home office expenses, if you qualify. You qualify to take the deduction if you have a space in your home that is used exclusively and regularly to do 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 *(up to \$1500 or 300 square feet)* or the business percentage of all related expenses (i.e. insurance, real estate tax, mortgage interest, rent, maintenance, etc.). The business percentage is based on the size of the office relative to the total square footage of the home. Even if you do not 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.*
- 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 storage space.
- Meals and Entertainment. Must be business-related. *(50 percent deductible.)*
- Office supplies.
- Pager and answering services.
- Parking and tolls.
- Payroll taxes that you pay on behalf of your employees *(not the income taxes withheld from your employee's paychecks).*
- Postage, delivery, and freight costs.
- Printing, copying, and fax charges.
- Promotion. *(No deduction for your time.)* This may include contributions that result in publicity for the business.
- Reimbursements and refunds.
- Rent of equipment, storage space, and office space.
- Small furnishings and equipment. *(May be subject to depreciation limits.)*
- Small tools.
- Subcontractors and consultants.
- Taxes. Business taxes, personal property taxes on assets, payroll taxes and other business taxes.
- 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, etc. These expenses are 100% deductible, provided the trip is 100% business. 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.
- Website fees.
- Website subscriptions.

Important! All deductions must be substantiated with written records. Written records include cancelled checks, printed receipts (*especially for payments made with cash*), bank statements showing debit card transactions, credit card statements and payment statements from online merchant processors such as PayPal, Google, etc. In some cases multiple documents are necessary to substantiate not only from whom something was purchased, but an identification of the item that was purchased. Special record keeping requirements apply for travel, meals and entertainment expenses, gifts and auto expenses. See your tax professional for details regarding these requirements.