

---

---

## **Business Expenses by Category**

### **Advertising**

- Advertising design costs
- Awards or prizes for client or customer goodwill
- Billboards
- Business cards
- Flyers
- Home spec sheets
- Homes magazines ads
- Internet advertising and marketing
- Logo clothing and other imprinted items
- Mailing lists
- Newsletters
- Newspaper ads
- Postcards – blank & printed for mailings
- Presentation materials & supplies
- Promotional items for clients (small dollar value)

### **Bad Debts**

Accrual basis taxpayers only - income must have been recognized prior

### **Car & Truck Expenses** (see Chapter 3 for more detail)

- Depreciation (included as part of total depreciation on Form 4562)
- Gasoline
- Insurance
- Interest on car loans
- Lease payments (must reduce by lease inclusion amount for cars)
- License plate fees
- Maintenance and repairs (including car washes)
- Oil changes
- Parking
- Property taxes based on value of car
- Tolls

### **Casualty Losses**

Business assets – loss deductible on Form 4684 but personal unless incorporated

### **Charitable Contributions**

Deductible on Schedule A as personal expense

## **Commissions and Fees**

- Commission rebates
- Referral fees

## **Contract Labor** (see Chapter 4 for more detail)

- Independent contractors
- Office assistants (not employees)

## **Depreciation** (see Chapter 3 for more detail)

### **Equipment & Furniture Over \$200**

- Cell phones (Listed Property)
- Computers (Listed Property)
- Copiers
- Digital cameras
- Fax machine
- File cabinets
- Modems
- Office furniture – desks, chairs, tables, wall hangings, decorative items
- PDA's (Listed Property)
- Phones
- Printers (Listed Property)
- Scanners

### **Car & Trucks**

- Subject to annual limits

## **Education**

- Continuing education courses
- Conventions and Seminars (local)
- Related business and computer courses

## **Employee Benefits** (see Chapter 3 for more detail)

- Achievement awards (up to \$1600 value of tangible items such as watches, clocks, etc.)
- Athletic facilities on premises provided for employees
- Child care benefits
- Company parties or picnics
- De minimis fringe benefits
- Health insurance for employees
- Medical Expense Reimbursement for employees

## **Health Insurance – Self-Employed** (100 % deduction from AGI in 2010)

- Dental insurance

---

---

Health insurance  
Long-term care insurance (subject to limits)

**Insurance** (other than health)

Business equipment Insurance  
Errors and omissions Insurance  
Business liability Insurance

**Interest**

Business loans or personal loans used for business  
Late charges (can also be included in cost of expense)  
Prorated portion of personal/business combined credit (based on balances)

**Internet Expenses****Web Hosting and Design Fees**

Hosting fees  
Maintenance fees  
Website design – if significant, might need to depreciate over 3 yrs.

**Access Fees** (prorate if combined with personal use)

Broadband service charges  
Email services for business use  
Monthly access charges

**Legal & Professional Fees**

Accounting fees  
Bookkeeping fees  
Individual tax preparation - Business portion (Schedule C) only  
Legal fees  
Payroll services  
Payroll tax preparation fees  
Start-up costs - up to \$10,000 can be expensed in 1<sup>st</sup> year, remainder over 180 mo.

**Office Expenses****Office Supplies**

Binders  
Business forms  
Envelopes  
Folders  
Ink and toner cartridges  
Labels

Letterhead  
Paper – computer, photo, fax  
Staples, paper clips, pens, pencils, etc.

**Bank Charges**

NSF fees (checks written or received)  
Safe deposit box  
Service charges - business account only

**Postage and Delivery**

Courier services  
Overnight deliveries  
P.O. Box rental  
Postcards - blank  
Stamps and postage

**Printing Expenses**

**Software** (under \$200 or life less than 1 year)

Business software  
Finance software used for business  
Tax preparation software for business

**Small office equipment & furniture** (under \$200 or life less than 1 year)

Calculator  
Copier  
Filing cabinet  
Monitor  
Paper cutter  
Printer  
Telephone  
Television  
VCR or DVD

**Other Office**

Cleaning services  
Coffee & doughnuts  
Credit card annual fee – business card  
First aid supplies  
Flowers  
Greeting cards  
Music system (might need to depreciate if over \$200 or life longer than 1 year)  
Plants  
Snacks

**Pension Contributions** (suggest professional consultation)

401(k)  
SEP IRA  
Simple IRA  
Traditional IRA (deductible from AGI – not business expense)

---

---

### **Professional Dues and Licenses**

- Board dues & fees (portion may be nondeductible)
- MLS dues and fees
- Professional licenses
- Professional organization dues (portion may be nondeductible)

### **Rent or Lease**

- Booth rental for shows
- Office space
- Storage rental (business use only)

### **Equipment Leases and Rentals**

- Audiovisual equipment
- Computers
- Office equipment

### **Repair & Maintenance**

- Computer repairs
- Office equipment repairs
- Security services
- Service contracts

### **Supplies**

- Film and processing
- House photos
- Housewarming and other client gifts (\$25 per person limit)
- Lock boxes
- Maps and directories
- Memory cards for digital cameras
- Signs

### **Taxes and Licenses**

- Payroll taxes for employees
- Personal property taxes for business assets
- State and local business taxes

### **Telephone**

- Additional line in residence for business use
- Business long distance calls
- Cellular phone charges (possible pro-ration if personal use)
- Fax line
- Pager charges

## **Trade Publications**

- Business magazines
- Business newspapers, such as the *Wall Street Journal*
- Professional development books
- Sales manuals
- Trade magazines
- Trade books

## **Travel, Meals and Entertainment** (see Chapter 3 for more detail)

### **Meals and Entertainment - 50% deductible**

- Business related
- Precede or follow business discussion
- Out of town

### **Travel and Lodging**

- Must be away from home
- Business purpose required
- Airfare
- Cab fares
- Car rental (including fuel)
- Conventions and Seminars (out of town)
- Dry cleaning and laundry services while on business trips only
- Haircuts, manicures, pedicures, shoe shining while on business trips only
- Lodging
- Meals and entertainment – 50% deductible (include with rest of M & E)
- Parking (includes airport parking)
- Tolls

## **Wages** (see Chapter 4 for more detail)

- Employees (see Hiring Assistants & Other Employees section)
- Family members (see Hiring Spouses & Children section)

## Business Deductions - Alphabetically

### Expense

401(k) contributions

### A

Achievement awards

Accounting fees

Accounting start-up costs (up to \$10,000 1<sup>st</sup> yr.)

Ad specialties

Advertising design costs

Airfare, business travel

Airport parking

Athletic facilities, on premises provided for employees

Athletic tickets – 50% deductible, individual tickets

Audiovisual equipment - rental or purchase

Auto depreciation

Auto insurance

Auto lease payments

Auto maintenance and repairs

Auto rental, travel

### Category

Pension Contributions

Employee Benefits

Legal & Professional Fees

Legal & Professional Fees

Advertising

Advertising

Travel

Travel

Employee Benefits

Entertainment

Rent or Depreciated

Car & Truck Expenses

Car & Truck Expenses

Car & Truck Expenses

Car & Truck Expenses

Travel

### B

Bad debts (only if income recognized earlier)

Bank service charges (business account)

Billboards

Binders

Board dues & fees (portion may be nondeductible)

Bookkeeping fees

Booth rental for shows

Broadband service charges (prorate if any personal use)

Business courses

Business cards

Business equipment insurance

Business liability insurance

Business forms

Business long distance calls

Business magazines

Business newspapers, such as the Wall Street Journal

Business software

Bad Debts

Office Expenses

Advertising

Office Supplies

Professional Dues & Fees

Legal & Professional Fees

Rent

Internet Expense

Education

Advertising

Insurance

Insurance

Office Supplies

Telephone

Trade Publications

Trade Publications

Office Expenses or Depreciated

## C

Cab fares	Travel
Calculator	Office Expense
Car rental (including fuel)	Travel
Car washes	Car & Truck Expenses
Casualty losses on business assets (loss deductible on Form 4684 - personal)	Personal – Form 4684
Cell phones charges (pro-rate if personal use)	Telephone
Cellular phone (pro-rate if personal use)	Office Expenses or Depreciated
Chairs	Office Expenses or Depreciated
Charitable contributions (deductible on Schedule A - personal)	Personal – Schedule A
Child care expenses – employees	Employee Benefits
Cleaning services	Office Expenses
Client gifts	Supplies
Client newsletters	Advertising
Coffee	Office Expenses
Commission rebates	Commissions
Company parties or picnics	Employee Benefits
Computers	Office Expenses or Depreciated
Computer lease	Rent
Computer repairs	Maintenance & Repairs
Computers (pro-rate if personal use)	Depreciated – Listed Property
Continuing education courses	Education
Contract labor	Contract Labor
Conventions and seminars (local)	Education
Conventions and seminars (out of town)	Travel
Copiers	Office Expenses or Depreciated
Courier services	Office Expenses
Credit card annual fee	Office Expenses

## D

De minimis fringe benefits	Employee Benefits
Decorative items for office	Office Expenses or Home Office
Delivery charges	Office Expenses
Dental insurance (same as health insurance)	Deductible from AGI
Depreciation	Depreciation
Desks	Office Expenses or Depreciated
Digital cameras	Supplies or Depreciated
Doughnuts	Office Expenses
Dry cleaning (for business trips only)	Travel
DVD player	Office Expenses or Depreciated



**E**

Education (maintain or improve job skills in field)  
 Education plan expenses  
 Email services for business use  
 Employee benefits  
 Entertainment - 50% deductible  
 Envelopes  
 Equipment & furniture  
 Equipment leases and rentals  
 Error and omissions insurance

Education  
 Employee Benefits  
 Internet Expenses  
 Employee Benefits  
 Meals & Entertainment  
 Office Expenses  
 Office Expenses or Depreciated  
 Rent  
 Insurance

**F**

Fax line  
 Fax machine  
 File cabinets  
 Film and processing  
 Finance software used for business  
 First aid supplies  
 Flowers  
 Flyers  
 Folders  
 Forms  
 Fuel

Telephone  
 Office Expenses or Depreciated  
 Office Expenses or Depreciated  
 Supplies  
 Office Expenses or Depreciated  
 Office Expenses  
 Office Expenses  
 Advertising  
 Office Expenses  
 Office Expenses  
 Car & Truck Expenses

**G**

Gasoline  
 Gifts (\$25 per person limit)  
 Greeting cards

Car & Truck Expenses  
 Supplies  
 Office Expenses

**H**

Haircuts (business trips only)  
 Health Insurance - self-employed  
 (100 % deduction from AGI - personal)  
 Health insurance - employees  
 Home office – casualty losses  
 Home office – depreciation  
 Home office – gas and electric  
 Home office – home repairs and maintenance  
 Home office – homeowner’s insurance  
 Home office – mortgage interest  
 Home office – office decor  
 (paint, rugs, window coverings)  
 Home office – office repairs and maintenance  
 Home office – other utilities  
 Home office – real estate taxes  
 Home office – rent

Travel  
 Deductible from AGI  
 Employee Benefits  
 Home Office - Direct or Indirect  
 Home Office - Direct  
 Home Office - Direct  
 Home Office - Indirect  
 Home Office - Indirect  
 Home Office - Indirect  
 Home Office - Direct  
 Home Office - Direct  
 Home Office - Indirect  
 Home Office - Indirect  
 Home Office - Indirect

Home office – security services  
Home spec sheets  
Homes magazines advertising  
Hotels, business travel  
House photos  
Housewarming and other client gifts (\$25 /person)

Home Office - Indirect  
Advertising  
Advertising  
Travel  
Supplies  
Supplies

## I

Independent contractors  
Individual tax preparation (Schedule C only)  
Ink and toner cartridges  
Insurance – business equipment  
Insurance - errors and omissions insurance  
Insurance – employee life and disability  
Interest – auto loans  
Interest - business loans  
Interest – credit cards (business use)  
Interest - personal loans used for business  
Interest – personal combined with business  
(pro-rate based on balances)  
Internet access fees (prorate if personal use)  
Internet advertising and marketing  
Internet fees (prorate if personal use)

Contract Labor  
Legal & Professional Services  
Office Expenses  
Insurance  
Insurance  
Employee Benefits  
Car & Truck Expenses  
Interest  
Interest  
Interest  
  
Interest  
Internet Expenses  
Advertising  
Internet Expenses

## L

Labels  
Laptops  
Late charges (can include with related expense)  
Legal fees  
Legal start-up costs – up to \$10,000 in 1<sup>st</sup> yr.  
Letterhead  
License plate fees  
Licenses  
Local business taxes  
Lock boxes  
Lodging  
Logo clothing and other imprinted items  
Long-term care insurance  
(see Health Insurance – Self-Employed)  
Long distance calls – business

Office Expenses  
Office Expenses or Depreciated  
Interest  
Legal & Professional Services  
Amortization Expenses  
Office Expenses  
Car & Truck Expenses  
Taxes & Licenses  
Taxes & Licenses  
Supplies  
Travel  
Advertising  
  
Deductible from AGI - personal  
Telephone

## M

Magazines, business related  
Mailing lists  
Maintenance  
Manicures (business trips only)  
Maps and directories  
Meals and entertainment - 50% deductible  
Medical Expense Reimbursements (must have plan)

Trade Publications  
Advertising  
Repairs & Maintenance  
Travel  
Supplies  
Meals & Entertainment  
Employee Benefits

Memory cards for digital cameras  
 MLS dues and fees  
 Modems  
 Monitor  
 Monthly access charges (prorate if personal use)  
 Music system

Supplies or Depreciated  
 Professional Dues & Fees  
 Office Expenses or Depreciated  
 Office Expenses or Depreciated  
 Internet Charges  
 Office Expenses or Depreciated

## N

Newsletters  
 Newspaper ads  
 NSF fees – on checks written or received

Advertising  
 Advertising  
 Office Expenses

## O

Office assistants (independent contractors)  
 Office assistants (employees)  
 Office equipment  
 Office equipment lease  
 Office equipment repairs  
 Office furniture  
 Office rent  
 Office supplies  
 Oil changes  
 Organization dues - professional only  
 (portion may be nondeductible)  
 Overnight deliveries

Contract Labor  
 Wages  
 Office Expenses or Depreciated  
 Rent  
 Maintenance & Repairs  
 Office Expenses or Depreciated  
 Rent  
 Office Expenses  
 Car & Truck Expenses  
  
 Professional Dues & Fees  
 Office Expenses

## P

P.O. Box rental  
 Pager charges  
 Paper – computer, photo, fax  
 Paper cutter  
 Parking  
 Payroll services  
 Payroll tax preparation fees  
 Payroll taxes - employees  
 PDA's  
 Pedicures (business trips only)  
 Pension contributions  
 Personal property taxes (business property)  
 Phones  
 Photos  
 Pictures (wall)  
 Plants  
 Postage  
 Postcards - blank  
 Postcards - printed for mailing

Office Expenses  
 Telephone  
 Office Expenses  
 Office Expenses  
 Car & Truck Expenses or Travel  
 Legal & Professional Fees  
 Legal & Professional Fees  
 Taxes & Licenses  
 Office Expenses or Depreciated  
 Travel  
 Pension Contributions  
 Taxes & Licenses  
 Office Expenses or Depreciated  
 Supplies  
 Office Expenses  
 Office Expenses  
 Office Expenses  
 Office Expenses  
 Advertising

Presentation materials & supplies  
Printer  
Printing expenses  
Professional development books  
Professional dues and licenses  
Professional licenses  
Professional organization dues  
(portion may be nondeductible)  
Promotional items for clients (small dollar value)  
Property taxes based on value of car

## **R**

Referral fees  
Rent  
Repairs

## **S**

Safe deposit box  
Sales manuals  
Scanners  
SEP IRA contributions  
Security services  
Service contracts  
Shoe shining (business trips only)  
Signs  
Simple IRA contributions  
Small office equipment & furniture  
Snacks for office & visitors  
Software – business  
Software – finance software used for business  
Software – business tax preparation software  
Stamps  
Staples, paper clips, pens, pencils, etc.  
State business taxes  
Storage rental for business use only  
Supplies

## **T**

Tables  
Taxes – employee payroll  
Taxes – state & local business  
Tax preparation, individual – Schedule C only  
Tax preparation software for business  
Telephone – business long distance calls  
Telephone – business line  
Telephone – additional line in residence  
Tolls  
Trade magazines

Advertising  
Office Expenses or Depreciated  
Office Expenses  
Trade Publications  
Professional Dues & Fees  
Taxes & Licenses

Professional Dues & Fees  
Advertising  
Car & Truck Expenses

Commissions  
Rent  
Repairs & Maintenance

Office Expenses  
Trade Publications  
Office Expenses or Depreciated  
Pension Contributions  
Repairs and Maintenance  
Repairs and Maintenance  
Travel  
Supplies  
Pension Contributions  
Office Expenses or Depreciated  
Office Expenses  
Office Expenses or Depreciated  
Office Expenses or Depreciated  
Office Expenses or Depreciated  
Office Expenses  
Office Expenses  
Taxes & Licenses  
Rent  
Supplies

Office Expenses or Depreciated  
Taxes & Licenses  
Taxes & Licenses  
Legal & Professional Fees  
Office Expenses  
Telephone  
Telephone  
Telephone  
Travel or Car & Truck Expenses  
Trade Publications

Trade books	Trade Publications
Trade publications	Trade Publications
Traditional IRA contributions (personal)	Deductible from AGI
Travel, business	Travel
Television (used for business)	Office Expenses or Depreciated
Tickets – athletic or social events for business use (individual tickets only)	Entertainment
<b>V</b>	
VCR (used for business)	Office Expenses or Depreciated
Vehicle lease payments	Car & Truck Expenses
<b>W</b>	
Wages - employees	Wages
Wages - family members	Wages
Wall hangings	Office Expenses or Depreciated
Web hosting fees	Internet Expenses
Website maintenance fees	Internet Expenses
Website design (if significant, need to depreciate over 3 yrs.)	Internet Expenses or Depreciated

## Nondeductible Expenses

The following expenses are nondeductible for business and/or personal purposes:

- **Athletic club dues**
- **Bad debts** (unless claimed as income previously – accrual basis only)
- **Bribes**
- **Charitable contributions** - deductible personally on Schedule A unless “C” corporation
- **Child care expenses** – deductible for employees but not yourself unless “C” corporation
- **Commuting expenses**
- **Disability insurance** – deductible for employees but not yourself unless “C” corporation
- **Dues for private, athletic, or social clubs**
- **Fines** for violations of the law
- **Interest on back taxes**

- **Landscaping for home-based business** - unless model for landscaping business
- **Laundry expenses** – nondeductible except:
  - during or immediately after business trips for business clothing, or
  - for clothing not suitable for street wear, such as uniforms or costumes
- **Life insurance** – deductible for employees but not yourself unless “C” corporation
- **Penalties** for violations of the law
- **Personal expenses**
- **Political lobbying**
- **Political contributions**
- **Roth IRA contributions** (earnings may be tax-free when withdrawn)
- **Telephone** – 1<sup>st</sup> telephone line in residence

