

# Small Business Tax Deductions

## Inventory

If a small business manufactures or purchase products for resale you can deduct the cost of your inventory, or the cost of the goods you sell. You must generally value inventory at the beginning and end of each tax year to determine your cost of goods sold.

## Utilities

Utilities that you use for your small business are fully deductible, including water, electricity, trash, and your telephone expenses.

## Insurance

The cost of a small business owner's health insurance, property insurance, general liability coverage, worker's compensation insurance, auto insurance, employee life insurance and business interruption insurance.

## Business Property Rent

If your business property is rented, you can deduct your lease or rental payments. If you run your business from home, you may also be able to deduct home office expenses including mortgage interest, insurance, utilities, repairs, and depreciation.

## Auto Expenses

If you have a car for business purposes, you can usually deduct car expenses including registration, gas, repairs, maintenance, and tolls. If you use your car for both business and personal, you must divide your expenses based on actual mileage.

## Depreciation

You can claim depreciation on buildings, furniture, equipment, and machinery. However, these costs must usually be deducted over several years. There are methods to take all the depreciation in the first year through Section 179 and certain bonus depreciations.

## Office Supplies & Furniture

All supplies that are needed to run a business, including paper, boxes, pens, staples, etc.

## Software Subscriptions

The cost of Software and any Subscription that are used in the business are deductible.

## **Advertising and Marketing**

Any expenses for advertising and marketing related to your business are deductible.

## **Business entertainment**

Entertaining clients with meals and events are deductible if necessary to your business. Note that most meal costs are only deductible up to 50%. But certain types of meals, such as a meal provided at an office party, are 100% deductible.

## **Travel Expenses**

Business travel expenses such as airfare, lodging, meals rental cars, gas, and tolls are deductible, but must be away from the city or area in which you conduct business.

## **Interest**

Interest payments on business loans are usually fully tax deductible.

## **Bad Debts**

Money that is lent to an employee or vendor without receiving it back can be claimed.

## **Taxes**

Taxes you incur from running your business are deductible. This includes state, and local income, real estate and possibly sales taxes. Your employer payroll taxes, such as the employer share of FICA, FUTA and state unemployment taxes, are also fully deductible.

## **Employee Salaries**

Employee wages, bonuses and commissions are fully deductible.

## **Employee Benefit Programs**

Employee benefit programs, like education assistance, dependent care assistance, life insurance adoption assistance or qualified retirement plan accounts may be deductible.

## **Employee Gifts**

Employee gifts are deductible up to \$25 per year, per employee.

## **Contracted Labor**

The cost of sub-contracted labor is fully tax deductible. You must issue form 1099-NEC to any contract worker receiving \$600 or more from you in a given tax year. Note: If the employee is being paid via credit card or PayPal, the payment processor must issue the worker form 1099-K.

## **Legal and Professional Fees**

Any cost for legal or accounting professionals hired for your business can be deducted.