Tax Deductions Checklist for Small Businesses

It is true that business owners get to enjoy some massive tax savings as compared to employees. However, more often than not, business owners do not take full advantage of all the tax deductions they are legally entitled to. Why? Because business owners often do not know WHAT deductions they can take!

It is never too late to get some tax saving strategies together. Since deducting expenses from your income reduces your tax bill, it's important to make sure you have captured everything you are legally entitled to! Use the following checklist as a guide to ensure you capture all your business expenses and minimize your tax bill!

Checklist of Tax Deductions for Small Businesses

1. **Inventory (Cost of Goods Sold).** Businesses that sell or manufacture products can deduct the cost of goods sold.

2. **Employees' Pay.** You can deduct any amounts you give your employees for compensation in cash, property or services.

3. **Employee Benefits.** Benefits like health plans, adoption assistance, educational assistance, and life insurance for your employees are generally tax deductible.

4. **Profit-Sharing or Pension Plans.** You can deduct contributions you make to your employees' SEP, SIMPLE, 401(k) and other qualified plans.

5. **Auto Maintenance and Mileage.** There are two ways to calculate vehicle deductions: standard mileage rate or actual expenses (such as gas, repairs and maintenance). You may use the method that results in a larger deduction on your tax return. Track your total auto expenses as well as business mileage so your tax advisor can help you to calculate the maximum deduction on your tax return!

6. **Utilities.** The water, power, trash, and telephone bills at your office are all 100 percent deductible as regular business expenses. If you have a phone number that has a mix of
business and personal calls, you may still take a deduction for the portion relating to
business usage.

7. **Home Office.** Rent, mortgage, insurance, electricity, housekeeping, security,
maintenance, and many others are deductible items for your home office. Make sure to
track costs incurred during the year and your tax advisor will help you to calculate the
maximum benefit for the deduction!

8. **Travel Expenses.** Nearly all business travel expenses are 100 percent deductible. These
include airfare, hotels, and other on-the-road expenses (like dry cleaning, Wi-Fi or cab
fares). Eating out on the road is also deductible so don’t forget to track these!

9. **Education.** This includes seminars and trade shows, but don't forget any magazines,
books, CDs and DVDs that are related to your business or industry. They are all 100
percent tax deductible. Also, travel to and from educational events are also tax deductions
as well.

10. **Entertaining.** Eating out with colleagues on a day-to-day basis is not deductible, but if
you bring along a client or prospective client, that meal is deductible. Taking a current or
prospective client out for drinks or a show is also deductible, but it has to be within a
business setting or take place before or after a business meeting.

11. **Petty Cash and Tips.** Just because you didn't get a receipt doesn't mean you can't deduct
the cost! Small cash expenses here and there can add up to a significant amount by the
end of the year so make sure to track for these items!

12. **Advertising and Marketing.** Be sure to deduct the cost of ordinary advertising (business
card purchases, yellow page ads, website costs, Google ad words, and so on), as well as
promotion costs for good publicity (such as sponsoring a local sports team).

13. **Depreciation or Write-Off.** If you buy property to use in your business, you can take a
tax benefit for it either in the current year or over time. Make sure to account for these
purchases.

14. **Employee or Client Gifts.** A gift to a client or employee may be 100 percent deductible.

15. **Outside Help.** If you hire an independent contractor or family member, you can deduct
their pay as a business expense.

16. **Service Fees.** Those fees for processing credit cards? One hundred percent deductible.

17. **Office Supplies.** Pens, paper, staples, thumb tacks… track these items because they DO
add up!
18. **Bad Debts.** Your bad debt may be deductible if the amount owed to you was previously included in income. Make sure to speak to your tax advisor about this.

19. **Professional Fees.** Accountants, lawyers and other professional consulting fees are fully deductible.

20. **Furniture.** You can either deduct the entire cost in the year of the purchase or depreciate it over several years.

21. **Office Equipment.** That new fax machine, copier, or computer is also 100 percent deductible. You may be able to take it all in one year or depreciate it.

22. **Repairs and Maintenance.** The cost of repairs to keep your business property and equipment in operating condition is deductible.

23. **Insurance Premiums.** You can deduct premiums that you pay for credit, liability, malpractice, and workers’ compensation insurance, among others.

24. **Interest.** Mortgage interest, finance charges (like credit cards), interest on payment plans, and interest paid on other loans are all 100 percent deductible.

25. **Software.** Boxed or downloaded software used for business are generally deductible. With more software being made available as a service, software subscriptions are also tax deductible.

26. **Licenses.** License, fees, permits, as well as regulatory fees, are generally deductible.

27. **Taxes.** As strange as it may seem, taxes incurred in running your business may be deductible!

Here is a short list of some of the more common tax deductions for small businesses. Keep in mind that there are over thousands of items that business owners can take as tax deductions. If you are ever confused about whether or not an item can be written off as a business expense, make sure you work with your tax advisor to help you determine the best ways for you to benefit from your expenses. Be sure to check out our other Tax Savings Tools by going to: