

TAX DEDUCTIONS FOR REAL ESTATE AGENTS

Real estate agents can deduct any business expense that is both ordinary and necessary to make a profit, according to the IRS. Typically, real estate agents may deduct advertising costs, professional and licensing fees, educational costs, a portion of the expenses associated with the business use of their homes and any automobile expenses associated with business use.

1. Car Deductions: The cost of all driving you do for your real estate business, with the important exception of commuting to and from your home to work, is tax deductible. If you like recordkeeping, you can keep track of all your car expenses to figure your annual deduction. But, if you'd rather not keep track of how much you spend for gas, oil, repairs, car washes, and so forth, you can use the standard mileage rate, which is 56 cents per mile in 2014. When you use the standard rate, you only need to keep track of how many miles you drive for business, not how much you spend on your car.

2. Office Expenses: The amounts you spend on your business office are deductible business expenses. For example, you may deduct the rent and utilities you spend for an office. But, if you work at home, you may be able to deduct the cost of your home office. This deduction is particularly valuable if you are a renter because it enables you to deduct a portion of your monthly rent, a sizable expense that is ordinarily not deductible.

3. Business Travel: You may also deduct your expenses when you go out of town for your real estate business. These include airfare or other transportation costs and hotel or other lodging expenses. But, you may only deduct 50% of the cost of meals when you travel on business. If you plan things right, you can even mix pleasure and business and still get a deduction.

4. Meals and Entertainment: The days of the deductible three-martini lunch are pretty much at an end. To deduct the cost of a meal in a restaurant or an entertainment event like a baseball game or theater visit, you must have a serious business discussion before, during, or soon after the event. Moreover, you may only deduct 50% of your business meal and entertainment costs.

5. Depreciation: When you buy property for your business that will last more than one year, you may deduct the cost a little at a time over a period of years. This process is called depreciation. Examples of depreciable property include cars, computers, and office furniture. However, you don't always have to depreciate long-term business property. Small businesses have the option of deducting the entire cost of such property in a single year under Internal Revenue Code Section 179 or using bonus depreciation. This enables you to get a big deduction in a single year rather than spreading it out over several years.

6. Supplies: Supplies are business items that you use up in less than one year. They include everything from paperclips to postage stamps.

7. Legal and Professional Services: You can deduct fees that you pay to attorneys, accountants, consultants, and other professionals if the fees are paid for work related to your business.

8. Insurance: Insurance you buy just for your business is deductible—for example, business liability insurance or insurance for business property. If you have a home office, you may deduct a portion of your homeowners insurance. Self-employed people are also allowed to deduct 100% of their health insurance premiums from their income taxes.