

SMALL BUSINESS TAX DEDUCTION CHECKLIST

2025 TAX YEAR | UPDATED FOR CURRENT IRS GUIDELINES

Don't leave money on the table. Use this checklist to make sure you're capturing every deduction you're entitled to. Check off what applies, keep your receipts, and share this with your CPA at tax time.

Whether you're a sole proprietor, LLC, or S-Corp, tracking deductions throughout the year is one of the easiest ways to reduce your tax bill. The IRS allows deductions for expenses that are "ordinary and necessary" for your business. Every dollar you miss costs roughly 30–40 cents in combined income and self-employment tax.

OFFICE & WORKSPACE

■ Home office deduction (dedicated space used regularly and exclusively for business)

Simplified method: \$5/sq ft up to 300 sq ft (\$1,500 max). Regular method: % of home used for business applied to rent/mortgage, utilities, insurance, repairs.

- Rent for office, studio, or coworking space
- Office furniture (desks, chairs, shelving, filing cabinets)
- Office supplies (paper, ink, pens, folders, envelopes, postage, stamps)
- Utilities — business portion (electric, water, gas, trash, internet)
Home office: calculate the percentage of your home used exclusively for business and apply to each utility bill.
- Cleaning and janitorial services for business space
- Security system or monitoring services for business space

TECHNOLOGY & SOFTWARE

■ Computers, laptops, tablets, and iPads

Items under \$2,500 can be expensed immediately under the de minimis safe harbor rule. Larger purchases may qualify for Section 179.

- Monitors, keyboards, mice, docking stations, peripherals
- Printers, scanners, and copiers
- Cell phone and cell phone plan (business portion)
A dedicated business line is 100% deductible. A shared personal/business phone: deduct only the business-use percentage.
- Software subscriptions (QuickBooks, Microsoft 365, Adobe, Zoom, etc.)
- Website hosting, domain names, and SSL certificates
- Cloud storage (Google Drive, Dropbox, iCloud, OneDrive)
- Antivirus and cybersecurity software (Bitdefender, Norton, etc.)
- Email marketing tools (Mailchimp, Constant Contact)
- Project management and CRM tools (Trello, HubSpot, etc.)

MARKETING & ADVERTISING

- Business cards and printed marketing materials (brochures, flyers, postcards)
- Website design, development, and redesign costs

- Social media advertising (Facebook, Instagram, Google Ads, LinkedIn)
- Search engine optimization (SEO) services
- Logo design, branding, and graphic design services
- Signage, banners, and vehicle wraps
- Promotional items and giveaways (pens, magnets, branded merchandise)
- Photography and videography for business use
- Online directory listings and review platform fees (Google Business, Yelp, etc.)

VEHICLE & TRAVEL

■ Standard mileage deduction for business driving

2025 rate: \$0.70/mile. Must keep a contemporaneous log with date, destination, starting point, business purpose, and miles driven.

■ Actual vehicle expenses (alternative to mileage method)

Gas, insurance, maintenance, repairs, depreciation, registration. Apply business-use percentage. Choose one method — you cannot use both.

- Parking fees and tolls (business related — deductible even when using standard mileage rate)
- Airfare, train, bus, and rideshare (Uber/Lyft) for business travel
- Hotel and lodging for business travel
- Rental cars for business trips

■ Meals during business travel (50% deductible)

Must be directly related to active business conduct. Keep receipts and note the business purpose and who attended.

■ Section 179 vehicle deduction for heavy vehicles

SUVs/trucks with GVWR over 6,000 lbs may qualify. SUVs capped at \$30,500 for Section 179 portion.

PROFESSIONAL SERVICES & EDUCATION

- Accounting and bookkeeping fees
- Tax preparation and planning fees
- Legal fees related to business operations (contracts, entity formation, disputes)
- Business consulting and coaching fees
- Professional licenses, permits, and certifications
- Continuing education courses directly related to your current business
- Industry conferences, seminars, and workshops (registration, travel, lodging)
- Professional association memberships and dues
- Trade publications, books, and subscriptions related to your industry

■ Regulatory and compliance costs

Fees paid to maintain compliance with federal, state, or local regulations.

INSURANCE & RISK MANAGEMENT

- General liability insurance
- Professional liability / errors & omissions (E&O;) insurance
- Business property insurance

- Commercial auto insurance (business-use portion)

- Workers' compensation insurance

- Cyber liability and data breach insurance

- **Health insurance premiums (self-employed individuals)**

Self-employed may deduct 100% of premiums for themselves, spouse, and dependents. This is an above-the-line deduction on Schedule 1, not Schedule C.

- **Dental and vision insurance premiums (self-employed)**

Deductible under the same self-employed health insurance deduction rules.

- Business interruption insurance

TAXES & GOVERNMENT FEES

- **Self-employment tax (deduct 50% on your return)**

You pay 15.3% SE tax but can deduct half as an adjustment to income on Schedule 1. This is NOT on Schedule C.

- State and local business taxes and fees

- Business license and permit fees

- State franchise tax or gross receipts tax

- Sales tax paid on business purchases (if not already included in the expense)

- Employer payroll taxes (FICA, FUTA — employer portion only)

- Property tax on business-owned real estate or equipment

BANKING & FINANCIAL

- Business bank account monthly fees

- Credit card processing and merchant fees (Square, Stripe, PayPal, etc.)

- Payment platform fees (Venmo Business, Zelle, etc.)

- Business loan interest payments

- Business line of credit interest

- Equipment financing interest

- **Bad debts — invoices you were unable to collect**

Only deductible if you use accrual accounting. Cash-basis taxpayers cannot deduct bad debts because the income was never recorded.

- ATM fees and wire transfer fees for business transactions

- Annual credit report or credit monitoring for business purposes

EMPLOYEES & CONTRACTORS

- Wages and salaries paid to employees

- **Independent contractor payments**

Must issue Form 1099-NEC for any contractor paid \$600 or more in a calendar year.

- Employee benefits (health insurance, retirement plan contributions, etc.)

- Employer payroll taxes (Social Security, Medicare — employer share only)

- Workers' compensation premiums

- Employee training, development, and onboarding costs

- Recruiting and hiring expenses (job postings, background checks, etc.)
- Employee gifts (up to \$25 per employee per year for tax deduction purposes)

RETIREMENT CONTRIBUTIONS

■ SEP-IRA contributions

Up to 25% of net self-employment income, max \$69,000 for 2024 / \$70,000 for 2025. Reduces both income tax and self-employment tax.

■ Solo 401(k) contributions

Employee contribution up to \$23,500 (2025) plus employer contribution up to 25% of net earnings. \$31,000 employee limit if age 50+.

■ SIMPLE IRA contributions

Employee deferrals up to \$16,500 for 2025. Employer match or contribution required.

- Retirement plan setup and administration fees

DEPRECIATION & MAJOR PURCHASES

■ Section 179 expensing — deduct full cost of qualifying equipment in year of purchase

2025 limit: up to \$2,500,000. Includes equipment, machinery, furniture, computers, off-the-shelf software, and certain vehicles.

■ Bonus depreciation — 100% for qualifying property placed in service after Jan 19, 2025

No dollar cap. Can create a net operating loss. Applies to new AND used property (new to your business).

■ De minimis safe harbor — expense items under \$2,500 immediately

Must have written policy in place at the start of the tax year. Applies per invoice or per item.

- Equipment repairs and maintenance (deductible as current expense if not a capital improvement)
- Leased equipment payments

COMMONLY OVERLOOKED DEDUCTIONS

■ Startup costs (up to \$5,000 deductible in first year if total under \$50,000)

Includes market research, advertising, travel, training, and professional fees incurred before the business officially opened. Remaining costs amortized over 15 years.

■ Qualified Business Income (QBI) deduction — 20% of qualified business income

Available for pass-through entities (sole props, LLCs, S-Corps). Phase-out begins at \$191,050 single / \$382,050 joint for 2024. Check eligibility with your CPA.

■ Business gifts — up to \$25 per recipient per year

Keep records of recipient name, business relationship, date, and description of gift.

- Charitable contributions made by the business (C-Corps deduct directly; pass-throughs deduct on personal return)
- Uniforms or branded work clothing (must not be suitable for everyday wear)
- Shipping, freight, and delivery costs
- Cost of goods sold (COGS) — inventory purchased for resale, including manufacturing labor and supplies
- Moving expenses for business relocation

■ Business use of personal assets

If you use personal property (tools, equipment, furniture) for business, you may deduct the business-use portion.

■ Net Operating Loss (NOL) carryforward

If your business has a loss, you can carry it forward to offset future income. Can offset up to 80% of taxable income in future years.

PRO TIPS FROM VALOR LEDGER

Keep every receipt. The IRS requires documentation for all deductions. For expenses under \$75, a bank statement may suffice. For everything else, keep itemized receipts. Snap a photo and store digitally — QuickBooks lets you attach receipts directly to transactions.

Separate business and personal expenses. Use a dedicated business bank account and credit card. Commingling funds is the #1 way to lose deductions and trigger audit red flags.

Track mileage in real time. Reconstructing a mileage log at year-end is unreliable and risky. The IRS requires a “contemporaneous” log — meaning recorded at the time of each trip. Log every trip: date, destination, starting point, purpose, and miles.

Review your books monthly. Don't wait until tax season. Monthly bookkeeping catches missed deductions, prevents errors, and gives your CPA clean books to work with. It also helps with cash flow decisions throughout the year.

Understand the difference between deductions and credits. A deduction reduces your taxable income. A credit reduces your actual tax bill dollar-for-dollar. Credits are more valuable — ask your CPA about any credits you may qualify for.

Know your entity type. How you take deductions depends on your business structure (sole prop, LLC, S-Corp, C-Corp). Some deductions go on Schedule C, others on Schedule 1 or your personal return. Your CPA can advise on the best setup.

Plan ahead for estimated taxes. If you expect to owe \$1,000+ in taxes, the IRS requires quarterly estimated payments (April 15, June 15, Sept 15, Jan 15). Underpaying can result in penalties.

Work with professionals. A bookkeeper keeps your records organized year-round. A CPA ensures you're taking every deduction legally available. Together, they save you more than they cost.

QUICK REFERENCE: KEY NUMBERS FOR 2025

Standard Mileage Rate	\$0.70 per mile (2025) \$0.725 per mile (2026)
Home Office (Simplified)	\$5/sq ft, max 300 sq ft = \$1,500
Section 179 Limit	\$2,500,000 (2025)
Bonus Depreciation	100% for property placed in service after Jan 19, 2025
De Minimis Safe Harbor	\$2,500 per item/invoice
Business Gift Limit	\$25 per recipient per year
Startup Cost Deduction	Up to \$5,000 (if total startup costs under \$50,000)
SEP-IRA Max Contribution	\$70,000 (2025)
Solo 401(k) Employee Max	\$23,500 (2025) \$31,000 if age 50+
QBI Deduction	20% of qualified business income (through 2025)
Self-Employment Tax Rate	15.3% (12.4% Social Security + 2.9% Medicare)
SE Tax Income Cap (SS portion)	\$176,100 (2025)
Estimated Tax Due Dates	Apr 15, Jun 15, Sep 15, Jan 15

NEED HELP GETTING YOUR BOOKS IN ORDER?

Valor Ledger LLC provides professional bookkeeping services for small businesses.

Veteran-Owned • Built on Precision and Trust

www.ValorLedger.com | (210) 618-2032 | Adan@ValorLedger.com

QuickBooks Certified ProAdvisor

DISCLAIMER: This checklist is provided for informational purposes only and does not constitute tax, legal, or financial advice. Tax laws change frequently — always consult with a qualified CPA or tax professional regarding your specific situation. Verify all deduction limits and eligibility with the IRS or your tax advisor before filing. Valor Ledger LLC is a bookkeeping service provider and does not prepare tax returns or provide tax advice.

© 2026 Valor Ledger LLC. All rights reserved. | www.ValorLedger.com