

Thank you for downloading your free tax deduction list. We love helping business owners like yourself better understand all aspects of owning a business, especially the more challenging sides such as taxes. Please check out our website above to see how we can help you in your entrepreneurial journey.

Checklist of Tax Deductions for Small Businesses-2020 and later

- 1. Inventory (Cost of Goods Sold).** Businesses that sell or manufacture products can deduct the cost of goods sold.
- 2. Employees' Payroll and Benefits.** You can deduct any amounts you give your employees for compensation in cash, property, or services, plus benefits such as health plans, adoption assistance, educational assistance, and life insurance for your employees are generally tax deductible. There are some rules regarding these so be sure to speak to your tax professional for more information.
- 3. Profit-Sharing or Pension Plans.** You can deduct contributions you make to your employees' SEP, SIMPLE, 401(k) and other qualified plans.
- 4. Auto Maintenance and Mileage.** There are two ways to calculate vehicle deductions, but either way, you need to track your business mileage. Keep a good record, otherwise the IRS will deny the deduction. One method is to use the mileage rate in effect for that year, as posted by the IRS. Multiply the rate times your business miles to arrive at your deduction. This is in place of fuel/maintenance/repairs/depreciation etc. The other method is to multiply the % of business miles (as a % of total miles driven) by the actual expenses you incurred during the year. Actual expenses include fuel/maintenance/repairs/depreciation. As for business tolls and parking, they are 100% deductible regardless of which method you use.
- 5. Utilities Office Space Outside Your Home.** The water, power, trash, and telephone bills at your office are all 100% deductible.
- 6. Home Office.** The IRS now allows \$5/sf of the room you use for your home office, up to 300sf. You no longer have to track home utilities/expenses. This is only available if you do not have an office outside the home. If you use a larger portion of your home, you can deduct the % of business use square footage times utilities/mortgage interest (or rent)/insurance/repairs & maintenance/depreciation (note that if you use this method there may be tax consequences when you later sell your home).
- 7. Travel Expenses.** Nearly all business travel expenses are 100 percent deductible. These include airfare, hotels, and other on-the-road expenses (rental car, parking, tolls, or ride share fares). Eating out on the road is also deductible at 50% of cost (but for 2021 and 2022 it's 100% deductible), so don't forget to track these! Speak to your tax professional if your trip is both personal and business related...you can still deduct some of the expenses.
- 8. Education/Training/Continuing 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.
- 9. Meals.** Eating out with colleagues on a day-to-day basis is *not* deductible, but if

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you bring along a client or prospective client, that meal is 50% deductible for 2020 and 100% deductible for 2021-2022. Travel meals are also deductible at the same rates. Entertainment is no longer a deductible business expense starting in 2018.

10. Petty Cash and Tips. Just because you used cash 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! Keep a record of the date/location/business purpose and amount.

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

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

13. Employee or Client Gifts. A gift to a client or employee is deductible but is limited to \$25/year/recipient. Note, that employee bonuses should have taxes taken out (treated just like a paycheck).

14. Outside Help. If you hire an independent contractor or family member, you can deduct their pay as a business expense. There are special favorable treatments if you are a sole proprietor, and you hire your kids who are under 18 to work for you. Talk to your tax professional for more information.

15. Service Fees. Bank fees and those fees for processing credit cards? One hundred percent deductible.

16. Office Supplies. Pens, paper, staples, thumb tacks... track these items because they DO add up!

17. Professional Fees. Accountants, lawyers, and other professional consulting fees are fully deductible, including business coaching (but not personal, ie. Life coaching)

18. Furniture. You can either deduct the entire cost in the year of the purchase or depreciate it over several years depending on your overall tax situation. Discuss with your tax professional the best option for your particular situation.

19. Office Equipment. That new copier or computer is deductible over time depending on the cost or is 100 percent deductible in the current year.

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

21. Insurance Premiums. You can deduct premiums that you pay for credit, liability, malpractice, and workers' compensation insurance, among others. Health insurance you pay for employees is also deductible. If you pay your own health insurance premiums, they may be deductible as well-talk with your tax professional for more details.

22. Interest. Finance charges (like credit cards used for your business expenses), interest on payment plans, and interest paid on other loans related to your business are all 100 percent deductible.

23. 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.

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

25. Taxes. As strange as it may seem, taxes incurred in running your business may be deductible, such as property taxes and payroll taxes. Income taxes are not deductible.

26. Personal Care. Despite what you may have been told, manicures, pedicures, makeup, business attire are not deductible expenses. The only time there is an exception is if you are in a production (like a movie or theater production) that requires you to buy makeup specific for that production and it's not something you would normally buy to wear.

Note-deductions are current as of December 2021

This is meant as a guide. We always recommend you consult with your tax professional to see if there have been any changes in the tax laws related to the items on this list.

*****We offer a Business Foundation Consultation that covers the following:*****

*Best tax/business structure
Business deductions
Taxes/Estimated taxes
State filing requirements
Employee vs Independent Contractor
Retirement plan options
Additional resources
Any other questions you may have*

*****We also offer Strategy Sessions on any business topic you may be struggling with, whether you're just getting started or been in business for several years.*****

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