



## The Top 20 Small Business Tax Deductions You Should Know About

### Advertising and Marketing

When you're trying to spread the word about your business, advertising becomes a crucial expense. Fortunately, it can also be a deductible expense. According to [the Business Expenses section of IRS Publication 535](#), "You generally can deduct reasonable advertising expenses that are directly related to your business activities."

## **Car and Truck Expenses**

Speaking of automobiles, Section 179 of the US tax code allows people to deduct vehicles used more than 50% of the time for business. Heavy vehicles, or any auto weighing over 6000 pounds on its own, are even classified as transportation vehicles and may be eligible for further tax breaks.

## **Salaries, Wages and Benefits**

We all know that employees get taxed on what they make from their employers. With that said, did you know that employers can get tax breaks on what they pay their employees? Salaries, wages, benefits, bonuses, awards, and other types of compensation may all qualify as deductible expenses for a business.

## **Contracted Labor**

Many businesses are turning to independent contractors for a variety of services, using them as alternatives to employing a full-time staff. One common reason is that such labor is exempt from several employment laws. One example is that fewer provisions are required to claim payment of these contractors as a tax deduction.

## **Education Expenses**

Education is always a great investment, and businesses can make that literal by supporting employees in their own quests for knowledge. If you create an Educational Assistance Program that helps your workers pay for

education, you may be able to deduct those expenses from your taxable income.

## **Travel Expenses**

Travel may be important for many businesses. Whether you're meeting a potential client in another city or attending an out-of-state convention, you may rack up quite a few expenses along the way. Transportation, lodging, meals, tips, and various services could qualify as business expense deductions. You simply need to prove that they were important for business.

## **Business Meals**

Important business decisions are often made while breaking bread, or steak, or pizza, or some other sort of meal. Therefore, it's hardly a stretch to call business meals an essential expense. Congress and the IRS agree. In the past, 50% of all cash spent on food and beverages could be written off as business expense deductions.

## **Supplies and Equipment**

You may need plenty of tools to keep a business humming. For tax purposes, these assets are generally divided into two categories. Your supplies would be short-term, intended to be used up within a year. An example would be staplers for employees' desks. Your equipment would be long-term, meant to last for several years. Heavy machinery would count.

## **Utilities**

Why worry about affording to keep the lights on when the government can help? Yes, utilities like power and water may be eligible for small business tax deductions. Just keep the bills handy and consult a tax expert, because not everyone can do this and the IRS may pay a visit.

## **Repairs and Maintenance**

Calling back to IRS Publication 535 again: small businesses can take off 100% of the cost of repairs and maintenance. Fixing up an old machine is an example. However, if something increases in value as a result, then it's considered something else: an improvement. An example of that would be fixing the machine in ways that significantly increase its output.

## **Office Expenses**

Presentation can make a big difference, and you'll want your office lobby to look spiffy and cozy. The stereotypical image is nice couches, flowers in vases, and stacks of magazines for those awaiting an appointment.

## **Home Office**

Much of the advice in this small business tax deductions checklist can apply to business owners who work at home, rather than in a building. However, the unique situation requires some special considerations. Most are based on the ratio of using something for work and using that same thing for reasons other than work.

Utilities provide some good examples for home-based business tax deductions. You need power, wi-fi connection, and air conditioning for

business. However, for business purposes, most people only need them in one part of the house — the home office. Figure out what percent of floor space is the home office, then subtract that percent from the utility bills as a deduction.

## **Professional Fees**

Running a business will require consulting with several kinds of experts. They may include lawyers, accountants, and tax advisors, among others. Everyone will charge a fee, and those fees can add up.

## **Taxes and Licenses**

Deducting taxes from your taxes? You read that correctly. Businesses have to pay a myriad of taxes in their day-to-day operations. That includes real estate taxes, sales taxes, state income taxes, and more. As long as they're connected to work, payments toward these types of taxes can help you pay less on your business taxes.

## **Commissions and Fees**

We noted earlier that all types of employee compensation may be eligible for tax deductions. If you wondered why, it is simply because paying your workers is part of running a business. You may then wonder, "Well, paying your workers to do their job is one thing, but what about commissions?"

## **Bank Fees**

Every business should have its own bank account, separate from the personal accounts of the business owners. In addition to preventing confusion and avoiding potential legal trouble, it provides an advantage at

tax time. Business owners are able to deduct bank fees, as long as those fees are related solely to business.

## **Business Insurance**

You never know what kinds of problems you may face when you run a business. Problems with the building foundation may result in serious damage. Customers may file lawsuits for issues beyond your control. Hackers could crash your website and steal information. They're bad enough on their own. On top of that, they're expensive.

## **Depreciation**

Ordinarily, depreciation regulations force people to take off part of the cost for an asset each year for several years. However, there are ways to get the full 100% deduction on such assets within the same tax year. De minimis safe harbor elections allow small businesses to write off any asset with a price under \$2500.

## **Interest**

It's not unusual for a prospective business owner to finance their dream by taking out a loan. The great hope is to build a stable operation off that money, pay off the loan quickly, and watch the profits roll in. Banks and similar institutions may be persuaded to lend some cash, but they'll want something in return. That's where interest comes in.

## **Rent on Business Property**

Rent can be a major monthly expense, but it's also a deductible one if you pay it to use a space for business. Please note that this only applies, as the

IRS helpfully explains, to payments “for the use of property you do not own.”

## **Charitable Contributions**

Large corporations can deduct charity donations, and individuals can deduct charity donations. However, most types of small businesses aren’t allowed to do the same. Instead of trying to take them as business expense deductions, owners and stakeholders usually include them when filing their 1040s.

## **Healthcare Expenses**

Many people enjoy a life of self-employment because they get to be their own boss. However, they still have to pay for their own health insurance. It’s not always easy, especially when one wants coverage for their spouse and dependents. Fortunately, they are allowed to deduct health insurance premiums on their 1040.

## **Retirement Contributions**

Business owners dream of creating a thriving enterprise that keeps their pockets lined for years to come. Many also dream of the day they can stop working and enjoy the fruits of their labor. To make sure they have enough cash to last, they often submit financial contributions to personal retirement plans throughout their career.

## **Child and Dependent Care Credit**

The IRS offers something called the Child and Dependent Care Credit. It’s designed to alleviate the costs of caring for anyone who is either under

the age of 13 or otherwise can't "take care of himself or herself." If your situation meets certain criteria, you may get relief for as much as 35% of your care-related expenses.

## **Software and Online Services**

Every aspect of the online store requires some sort of software, from building the website to creating shopping carts to processing payments. There are plenty of others, including sales tax software, but we highlight these examples because they are essential to any online store. Without them, and without plenty of others, it just wouldn't exist — at least, not as an eCommerce site.

## **Internet Hosting and Related Services**

The importance of web hosting to running an eCommerce venture is similarly inarguable. It's the online equivalent of real estate. With it, you have your own dedicated website where customers can browse and buy your products. Without it, you're restricted to hawking your wares on marketplaces.

## **Website Design**

Much thought and care should always go into your website's design. The visual presentation should appeal to your target customers and fit with your branding. More importantly, the page layouts and sitemap should be easy to navigate. Getting all these aspects right is crucial to success.