

**Complements of
Lenny G Letcher, EA, RFC**

www.lennyletcher.com

Phone 623-583-0113 Fax 623-583-4451 Toll Free 1-877-399-6113

Member: National Association of Enrolled Agents- National Society of Accountants
International Association of Registered Financial Consultants

General Business Deductions for Tax Year of 2019

Business expense can be deducted if they are ordinary and necessary:

Ordinary means that someone else who has a business like yours, would likely have a similar expense.

Necessary means that you needed to spend this money, in order, to operate your business.

In general, business expenses are deductible, if they are reasonable costs you wouldn't have incurred if you didn't have your business. A list of common deductible business expenses follows. You may have expenses, unique to your business, that aren't on this list. If they are ordinary, reasonable, and necessary for your business, they are deductible.

- Advertising and promotion, including contributions that result in publicity for the business.
- Accounting, consultation, and bookkeeping fees (including costs for preparing the business portion of your tax return)
- Association fee, such as membership (see dues below)
- Bank service charges and fees
- Car and truck expenses.
 - You can use the mileage rate method of 58 cents per mile for 2019 **or**
 - The business-use percentage of the actual auto expenses you incurred (gas, insurance, repairs, lease payments or finance charges, depreciation, etc.).
 - If you use the standard mileage rate, you can also deduct the finance charges as well. Don't forget the miles you drive on business errands such as going to the bank, picking up office supplies, and going to the post office.
- Credit card's annual fees for cards used in your business. If your card is used partly for business and partly for personal expenses, pro-rate the fee accordingly.
- Computer supplies and repairs.
- Commissions paid (must issue 1099MISC, see wages below)
- Continuing Education (CE or CPE) classes (including travel expenses to attend the class)
- Depreciations on business furniture, equipment and vehicles. Under Section 179 of the IRS code, up to \$1,000,000 worth of items purchased in 2019 can be depreciated in full on your tax return. Limits apply to some vehicles.
- Depreciation on assets converted to business use from a personal use.
- Dues, subscriptions, and fees associated with doing business.
- Educations expense, including seminars and conferences that increase your knowledge and skills. However, you can't take a business deduction for the cost of education that prepares you for a new line of work or career.
- Employee pensions and benefit programs
- Expense reimbursements to employees
- Company picnics, business-related holiday events, employee meals for the convenience of the employer.
- Equipment, including computers (See information about depreciation)
- Fringe Benefits for employees
- Furniture and décor used in your office or home office.
- Gifts to business associates of clients (up to \$25 per person per annum is deductible) (May qualified as Promotion)
- Home office expenses, if you qualify. You qualify to take the deduction if you have a space in your home that's used regularly and exclusively to do the administrative work for your business.
 - If you claim the deduction:

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- You can choose to deduct the standard rate of \$5 per square foot of home office space (not to exceed 300 square feet) or
- The business percentage of all related expenses (i.e. insurance, real-estate tax, mortgage interest, rent, maintenance, etc.).
- Even if you don't claim the home office deductions, you still can deduct other expenses and the purchase cost of such items as a file cabinet or desk.
- Note: Repairs in the office are "direct" expenses and fully deductible. The business percentage is based on the size of the office relative to the home's total square footage.
- Insurance premiums, including liability, malpractice, business overhead, worker's compensation, and other business-related insurances. There are special rules for health insurance for Sub-S owners.
- Interest, finance charges on business credit cards and loans. As with credit card fees, interest on a card used for both personal and business expenses must be pro-rated. Documentation(s) are required to prove the allocation.
- Internet cost and email expenses used for business
- Legal and professional fees
- Licenses and fees
- Lockbox expense, such as those used by realtors and security services.
- Magazines and books that you need for your business. General circulation publications, including the local newspaper, are usually not deductible.
- Maintenance and repairs on equipment and office or store space
- Meals and entertainment (watch this one, you really need great documentation to keep this in an audit)
- Office supplies
- Pager (old school but still around) and answering services
- Parking and tolls this is in addition to mileage expenses.
- Payroll taxes that you pay on behalf of your employees (But not the taxes withheld from your employee's paychecks)
- Postage, delivery, and freight costs
- Printing, copying, and fax charges
- Promotion (**No deduction is allowed for your time**)
- Reimbursements for business expenses paid for your benefit by someone else
- Rent of equipment, storage space, and office space
- Small furnishings and equipment
- Small tools, small refer to this as hand tools
- Subcontractors and consultants
- Taxes. Business and personal property tax on assets
- Telephone. You can deduct long-distance business calls made from home even if you don't qualify for an office-in-home. Monthly service charges are deductible only if you have more than one phone line in your home, and it is used for business.
- Travel for business, including costs to go to seminars and conferences. Deductible travel costs included hotels, airfare, taxis, car rentals, tips, and so on. These expenses are 100% deductible. Travel meals are 50% deductible. Document travel meals separately in case it is more beneficial to use per Diem rate for meals rather than actual expenses.
- Transportation expenses, such as airlines, taxis, buses, shuttles and auto rentals
- Uniforms, unique, or special work clothing (i.e. steel-toed boots or coveralls)
- Utilities for your office (see home office if you work out of your home)
- Wages, commissions, and salaries paid to employees and contractors.
 - W2s must be filed for each employee paid during the year.
 - 1099MISC must be filed for everyone (individuals) you pay \$600 or more in any calendar year.

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Note: All deductions must be substantiated with written records. Payments should be made by check, credit or debit card, or electronic funds transfer. Special record keeping requirements applies for travel, meals, and entertainment expenses, gifts and auto expenses. See your tax professional for details on these requirements.