



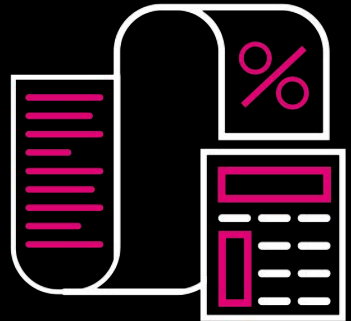
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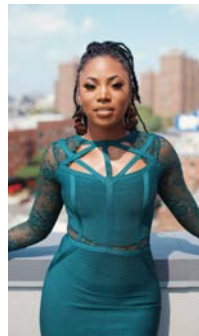
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101 Tax Deductions

2021



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THE AUTHOR

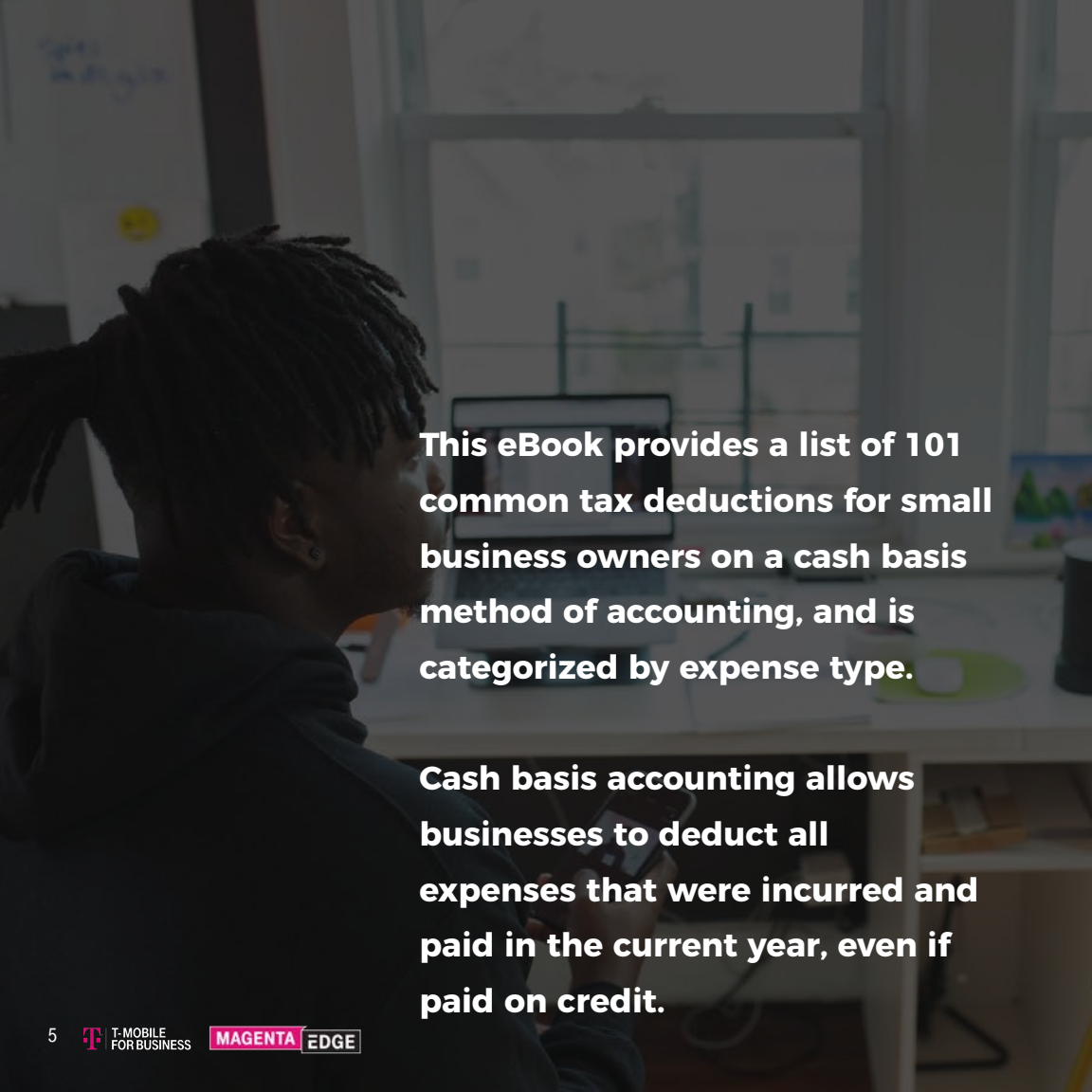
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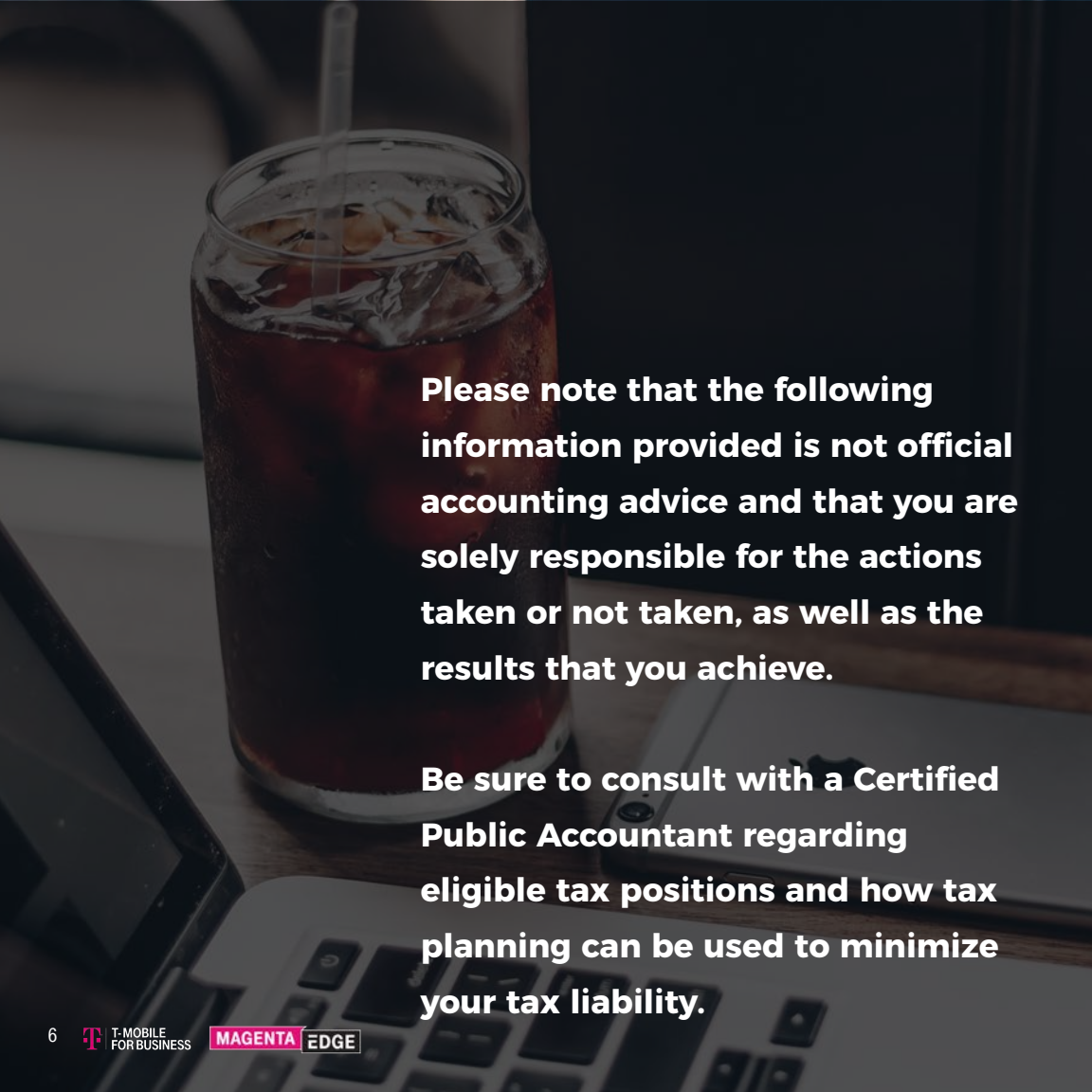
Tax laws and deductions are subject to change. Keep up with the latest in tax deductions, incentives, and laws by visiting the [Small Business Association](#) website.

T-Mobile does not offer or endorse any tax, legal, financial, or other advice; the opinions, insights, and recommendations of our contributors are their own. Contact professional advisors for advice.

A person with dark dreadlocks is shown in profile, looking towards a laptop on a desk. The background is a blurred office environment with a window and some papers. The text is overlaid on the right side of the image.

This eBook provides a list of 101 common tax deductions for small business owners on a cash basis method of accounting, and is categorized by expense type.

Cash basis accounting allows businesses to deduct all expenses that were incurred and paid in the current year, even if paid on credit.

A glass of iced tea with a straw is placed on a laptop keyboard. The background is dark and out of focus.

Please note that the following information provided is not official accounting advice and that you are solely responsible for the actions taken or not taken, as well as the results that you achieve.

Be sure to consult with a Certified Public Accountant regarding eligible tax positions and how tax planning can be used to minimize your tax liability.

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AS A SMALL BUSINESS OWNER...

You want to keep as much money in your pockets as possible, so that you can reinvest in your business. Tax season can be intimidating and is typically associated with giving money to the government, rather than money being given to you. That's not quite the case for business owners in America where entrepreneurship is incentivized with tax deductions for business operations.



YOU CAN AVOID TAXES...

On your small business as long as you know which tax deductions you qualify for. Keep in mind, there's a huge difference between tax avoidance and tax evasion. Understanding that difference along with the various categories of expenses and the tax deductions that apply to those expenses, will put you on the path to a more beneficial experience with taxation.



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**TAX
AVOIDANCE
VS TAX
EVASION**



TAX EVASION

The act of evading the proper assessment of a tax, is illegal. As entrepreneurs we are required to pay Uncle Sam just as we would do if we were employees. However, we have the option to legally avoid paying large amounts of taxes with the enforcement of proper tax planning.



TAX AVOIDANCE



On the other hand is completely legal. We always hear about the rich not paying their fair share in taxes, but guess what, they can legally do this! The tax code is created for the benefit of business owners and those who own real estate. As a business owner we are fortunate to be able to have taxes assessed at year-end based on the business's performance, rather than throughout the year as employees do.

Business owners typically pay taxes on their taxable income, which is their net income after any available deductions. To lower the business's net income, be sure to take advantage of all allowable business expenses. To further minimize the business's tax liability be sure to take advantage of all available credits and deductions.

The IRC code allows business owners to deduct all expenses that can be deemed both ordinary and necessary. An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your trade or business.

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**EXPENSES
RELATED TO
START UP**



Startup costs are costs incurred during the process of creating a new business.

Depending upon profitability, a business may elect to deduct up to \$5,000 of startup cost in the first year. Any additional costs will be amortized over 15 years. For example, if the business incurred a total of \$16,000 in startup costs, they will deduct \$5,000 in year 1 and amortize the remaining \$11,000 over a period of 15 years.

CORPORATE ATTORNEY FEES

Fees paid to attorney or legal professional for any legal advice sought out in regards to your business.

BUSINESS CONSULTING FEES

Fees paid to a business consultant (i.e. for advice about how to start or grow your business)

INCORPORATION FEES

The state and legal fees you pay to form your DBA, Limited Liability Company (LLC), C-Corporation, S-Corp, Partnership, or Not for Profit Entity

FRANCHISE FEES

Fees paid to operate a franchise branch of a larger business.

PURCHASE COST

Fees paid related to the purchase of an existing business.

RESEARCH AND DEVELOPMENT

Activities undertaken to develop new products or services in your business, or to improve existing ones.

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**EXPENSES
RELATED TO
LEGAL &
COMPLIANCE**



Costs incurred to protect both your intellectual property and your business operations are deductible.

These costs can sometimes fall into the start-up costs category if incurred before the beginning of your businesses operations, or can be a regular deductible business expense after the business is up and running. If deducted as a regular business expense, the business will deduct these fees in the year the cost was incurred and paid.

PATENTS

Fees paid to protect a unique process, design, or invention.

COPYRIGHT

Fees paid to prohibit the reproduction of original work (i.e literature, songs, movies, software codes)

TRADEMARK

Fees paid to protect a symbol, word, words legally registered or established by use as representing a business or product

ANNUAL OR BIENNIAL FEES

Most states require the business to file reports annually or biennial reports to keep the business in compliance and in good standing. These fees are deductible.

BUSINESS LAWYER RETAINER FEES

As the business grows the owner may consider paying a business lawyer fees to ensure entity compliance with state and federal agencies.

BUSINESS LICENSES

Depending upon the business's industry it may need to pay for permits to operate. Some examples of industries that require business licenses to operate are retail, wine & spirits, health, certain occupations, contractors, etc.

BUSINESS PERMITS

Similar fees paid for business licenses, any purchases of business permits are deductible of the businesses if it was ordinary and necessary in the business's industry.

BUSINESS INSURANCE

The purchase of coverage used to protect the business from any unexpected losses whether due from property damage, legal liabilities, or employee-related risks.

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**EXPENSES
RELATED TO
BUSINESS
FINANCES**



Building a strong financial foundation is key to growing a strong sustainable business.

Costs incurred to maintain a financial structure for your business is tax deductible. These costs will be deducted in the year they are incurred and paid.

BOOKKEEPING SOFTWARE

Subscriptions for accounting and finance software.

RECORDKEEPING SOFTWARE

Subscriptions for record keeping and security software.

ACCOUNTING PROFESSIONAL/ CPA

Fees paid to a business accounting professional for advice or ongoing support.

FINANCIAL ADVISOR FEES

Fees paid to financial advisors and planners for investment advising and financial planning.

BANK CHARGES & FEES

Fees paid to your financial institution for maintenance, overdrafts, etc.

PAYROLL TAXES

Federal income, Social Security, Medicare federal and state unemployment taxes paid on behalf of the business for its employees.

STATE CORPORATE INCOME TAXES

Income taxes paid to a state government for business operations.

FRANCHISE TAX

Franchise tax is a tax charged by some U.S. states for certain business organizations such as corporations and partnerships and partnerships with a nexus in the state. It is usually calculated based on the net worth of or capital held by the entity.

SALES & USE TAX

A percentage of tax on the price of a sale that is collected by the business or customer and remitted to the appropriate government body.

VALUE ADDED TAX

Tax placed on a product whenever value is added at each stage of the supply chain.

EXCISE TAX

Taxes levied on certain goods and services including alcohol, fuel, and tobacco. Excise tax is imposed on the supplier or producer who then includes it in the product price.

PROPERTY TAXES

Taxes levied on property the entity owns. This could include land, buildings, or industrial real property.

LOAN ORIGATION FEES

The amount paid to a lender as compensation for processing a loan application on behalf of the business.

AMORTIZATION

Spreading the cost of an intangible asset over its useful life. Examples of intangible assets that can be amortized include: Patents, trademarks, franchise agreements, etc.

DEPRECIATION

Spreading the cost of a fixed tangible asset over its useful life. Example of fixed tangible assets include buildings, equipment, office furniture, vehicles, land

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**EXPENSES
RELATED
TO YOUR
TEAM/STAFF**



Building a strong team is fundamental to the growth and success of any business.

Expenses incurred to build your team are tax deductible! Not only can you deduct wages paid to your team, you can also deduct expenses related to offering them certain company perks.

OFFICER'S SALARY

Salaries and wages paid to yourself as an officer of your business. Salaries paid to other officers are deductible as well.

PAYROLL

Salaries and wages paid to your employees.

BONUSES

Holiday, seasonal, performance, or promotional bonuses paid to employees.

EMPLOYEE BENEFITS

Perks offered to employees in addition to their salary. Some examples include: Medical and disability insurance, and fringe benefits.

CHILD & DEPENDENT CARE

Contributions for child & dependent care expenses incurred by officers or employees.

CHILDREN ON PAYROLL

Hiring your children part-time or full-time can allow you to deduct up to \$12,000 for wages paid to them during the financial year.

EMPLOYEE LIFE INSURANCE

As long as you as the business owner don't benefit from the policy, the company can deduct the cost of premiums paid for employee life insurance.

RETIREMENT CONTRIBUTIONS

Contributions made by the employer to employee retirement accounts.

SELF-EMPLOYED HEALTH INSURANCE

A sole proprietor with no employees can deduct 100 percent of health insurance premiums paid for themselves, their spouse, and any dependents under the age of 27.

CONTRACTOR EXPENSES

Fees paid for contractors are deductible. Please note that the business should have a W9 on hand for contractors paid more than \$600 during the year and must issue a 1099 to them on or before January 31st of the following year to allow them to claim the income on their tax return.

EMPLOYEE GIFTS

A business can deduct up to \$25 per each gift to employees and/or clients.

TEAM MEALS

Expenses incurred to feed the team during a company meeting, client meeting, or during travel.

TEAM MEETINGS

Expenses incurred to pay for a venue, travel to, or supplies used during team meetings.

RECRUITMENT FEES

Expenses incurred to search for new talent.

CONTINUING EDUCATION

Any educational programs, books, course, etc. purchased to improve the skills of a team member of the business.

CONFERENCES

Expenses incurred to pay for a venue, travel to, or supplies used during team meetings.

PROFESSIONAL DUES

Membership fees or professional dues to organizations within the industry.

UNIFORMS

Expenses incurred for required uniform or other necessary clothing/gear needed to perform a service or create a product.


COMMISSIONS

Variable payments made to employees or contractors.

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**EXPENSES
RELATED TO
THE OFFICE**



Everyday expenses incurred in the running of your business can be deductible.

If you are running your business from a bought or leased location, the associated expenses are tax deductible.

RENT/LEASE EXPENSE

Payments made for the ability to operate the business from a facility. Fees paid for virtual offices are also deductible.

UTILITIES

Types of deductible utility expenses include: Telephone, electricity, gas, water, internet, etc.

OFFICE FURNITURE

Furnishing used in the business's place of business. Examples include: desks, chairs, file cabinets, tables, computer desks, etc.

CLEANING/ JANITORIAL

Fees incurred to keep the business facilities clean and sanitized. This includes fees paid to cleaning professionals.

OFFICE DECORATIONS

Cost incurred to design and decorate the business office.

SUPPLIES

Items needed to conduct business in a more efficient manner. Examples include: Stationary items such as pencils, pens, notebooks, notepads, etc.

SOFTWARE SUBSCRIPTIONS

Subscriptions for services used to run the business. Some examples include: GSuite, Canva, Adobe, CRM Systems, etc.

HARDWARE

Items purchased for use in business. Some examples include: Laptops, desktops, keyboards, mouses, printers, and monitors.

OFFICE CONSTRUCTION

Expense incurred to build or repair/maintain the business facilities. This can include expenses paid to contractors and the price of supplies and materials used during the construction process.

OFFICE STORAGE

Cost paid to storage providers to store inventory or other office assets and supplies.

WAREHOUSE


Cost incurred for warehouse use or storage.

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BUSINESS

USE OF HOME



You also get tax deductions for working on your business from home.

However, oftentimes expenses incurred at home are not fully-deductible as the IRS assumes that you use most of the space for personal dwelling as well. Instead, you can deduct these expenses in proportion based upon the square footage of the space used primarily for business and the total square footage of the entire residence. For example, if your home office is $\frac{1}{4}$ of the total available space, you can deduct $\frac{1}{4}$ of your rent, utilities, maintenance, etc.

HOME OFFICE RENT

Rent paid to use home office to conduct business activities.

REPAIRS & MAINTENANCE

Fees incurred to cover any costs related to repairs and maintenance for the property of which the business is conducting its business.

HOME OFFICE UTILITIES

Utilities paid for home office when conducting business activities.

REAL ESTATE TAXES

Expense incurred by a homeowner related to the property taxes assessed on the property used for home office purposes.

INSURANCE

Insurance premiums cost incurred by homeowners who utilize their home for business purposes.

MORTGAGE INTEREST

Expense incurred by a homeowners related to the interest assessed on a mortgage loan

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**EXPENSES
RELATED TO
MARKETING**



Marketing is a great way to expand your business's audience, customer base, and brand identity.

Investments into the marketing of your products or services are deductible in the year the expenses were incurred and paid.

LOGOS

Payments made to designers or programs used to create or recreate your business's logo.

DOMAINS

Expenses incurred to purchase the domain for your business's website or other forms of online identity.

HOSTING FEES

Web server or other fees paid to keep your website(s) alive and running.

MAKEUP ARTIST

Fees paid to contracted beauty professionals for work related to your business's marketing endeavours or special events.

PHOTOGRAPHER

Fees paid to contracted photographers for the creation of visual work related to the business.

GRAPHIC DESIGNER

A designer that creates images, logos, or designs for the business.

PUBLIC RELATIONS AGENT

An agent that strategizes campaigns through writing or producing presentations for press releases.

SPACE RENTALS

Areas of space that can be rented out for business events.

BUSINESS CARDS

Cards designated for a business- personal or business- which addresses all information about the business.

WEBSITE DESIGNER

An individual that specializes in website design/creations.

SCHOLARSHIPS

Awards that are given to chosen qualified students for scholar purposes. The business must have been provided publicity for this to be deducted as a marketing expense.

ACQUISITION OF CUSTOMER ACCOUNTS

Identifying and utilizing accounts of present or past customers to strategize/convert into a sale.

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EXPENSES RELATED TO TRAVEL



Whenever traveling for business purposes, you are allowed to deduct most associated expenses.

As with the other deductions, you do want to keep a proper record of business travel. Best practices is to have a log of all business trips that include details about what the travel was for, who was in attendance, receipts, and what specific business matters were discussed.

AIR TRAVEL/ FLIGHTS

Traveling by means of airline services.

TAXIS

A paid means of ground transportation.

RIDESHARE

Participate in an arrangement in which a passenger travels in a private vehicle driven by its owner, for free or for a fee, usually arranged by means of a website or app.

CAR RENTAL

A vehicle that is rented as to be used for a business service or personal.

TOLLS

A charge payable for permission to use a particular bridge or road.

PARKING FEES

Fees accumulated through parking decks, parking meters, or any form of calculated time for parking.

GAS

Fuel used to travel for business purposes.

HOTELS

An establishment providing accommodations, meals, and other services for travelers and tourists.

RENTAL MARKETPLACES

Leveraging the home of others for lodging purposes.

CAR PAYMENTS

Payments that are made for vehicles purchased by lease or to own.

CAR INSURANCE

Insurance contract is formed by the driver and insurance company to protect in event of crash, theft, or any significant damage done to the vehicle.

CAR MAINTENANCE

Any form of maintaining a vehicle's condition through services

MILEAGE

Determined amount of miles travelled for business purposes. Some examples include: Mileage driven to meet with clients, mileage driven for business travel, etc.

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**EXPENSES
RELATED
TO YOUR
OPERATIONS**



Other business expenses include those directly related to the operations of your business.

These could include costs related to your products or services, or costs incurred to further expand your business.

RAW MATERIALS

Materials from which a product is made.

WIP MATERIALS

WIP refers to the raw materials, labor, and overhead costs incurred for products that are at various stages of the production process.

FINISHED GOODS

Goods that have completed the manufacturing process but have yet to be sold to customers.

PACKAGING MATERIAL

Materials used to securely package a shipment to the buyer.

RETURNED GOODS

Goods that are returned from buyer to retailer for various reasons. Upon return to the seller, refund of selling price and associated sales tax to buyer.

SHIPPING FEES

Fees that are accrued through shipping via international or domestic. Depending on freight size and location, fees may vary.

NOTARY FEES

The fee which a notary charges for services

PRODUCT DEVELOPMENT

Refers to the stages of creating a product from an idea, prototype, or concept

IMPORTING FEES

Fees are allocated on the value of merchandise being imported - not including duty, freight, and insurance

REFERRAL FEES

Also known as a finders fee — Commissions paid to a person or entity that creates or connects a deal that flourishes opportunities.

MARKET RESEARCH

Acquiring information either on consumers or consumer products or behavior.

Though this list provides an overview of business expenses that can be utilized to minimize your business's tax liability, please know that there are hundreds more that may qualify as ordinary and necessary.

Levering the knowledge of a CPA or expert tax professional will help you to maximize the deductions that are available to your business.



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Reminder: Keep all of your receipts and documentation used to support your business expenses and tax positions!



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