

Overlooked Tax Deductions for Small-Business Owners

Helpful tips for tax time.

Provided by David Smith, CFP®, CRPC®, AIF®

Being a small-business owner isn't easy. After all, balancing payroll, managing employees, drawing up marketing plans, and handling the bookkeeping can be stressful! Luckily, the Internal Revenue Service (I.R.S.) allows small-business owners to take some surprising deductions, which may help come tax time. Read on to learn more.

Remember, the information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult a professional with legal or tax expertise for specific information regarding your individual situation.

Employ your personal cell phone. The I.R.S. allows small-business owners to deduct the cost of the time spent on business calls made while using their personal mobile device. The key is to make sure you keep an itemized monthly phone bill for your records.¹ Assuming an \$80-per-month phone bill and a 50% deduction, you may be able to deduct \$480 from your state and federal tax returns! The best way to track your business call time? Try using a separate number for your business, which automatically routes to your phone. This way, it will be easy to see your business versus personal phone usage.

Put your home to work. If you use part of your home for business, you may be able to deduct those expenses. These can include a portion of your home as well as insurance and utilities.

However, there are some conditions that must be met to claim these deductions. First, the portion of your home you claim for business use must be exclusively for your company. Second, the part of your home used by your company must be either your principal place of business, a place to meet with customers, or a separate structure used in connection with your business.²

Hold your meetings over a meal. If you and your employees have meetings, consider having them over a meal. As long as the dining expenses are reasonable and you're eating with an employee to discuss business-related items, you are permitted to deduct 50% of the meal cost.³

This may seem like a small advantage, but consider this: if you manage to have a "business lunch" every day for \$10, you can deduct \$5 of that expense, which could amount to over \$1,200 a year in claimable deductions!

Deduct and fly for free. Many small-business owners believe they can reduce travel costs by using the miles they earn through a qualifying credit card to pay for their next business flight. Since your travel costs for business may be fully deductible, however, why not put those miles to use in your personal life instead?⁴

Depending on your air-travel expenses, your income tax rate, and the number of miles you may be able to accrue in a year, this could save you thousands of dollars in expenses.

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Citations.

- 1 - www.irs.gov/businesses/small-businesses-self-employed/deducting-business-expenses#what [6/03/2019]
- 2 - www.irs.gov/pub/irs-pdf/p535.pdf [6/03/2019]
- 3 - www.irs.gov/newsroom/irs-issues-guidance-on-tax-cuts-and-jobs-act-changes-on-business-expense-deductions-for-meals-entertainment [6/03/2019]