



What Business Expenses can I deduct?

Business expenses allowed by the IRS are those considered “ordinary and necessary” to the day to day running of your business. While that description can be very nebulous, we’ve put together a list of common deductions that are standard and allowable, and what would not be considered deductible.

Allowed Deductions:

- Standard business expenses, including but not limited to rents, supplies, business taxes (sales, payroll, business property as well as fees and licenses), wages, travel, advertising, auto, liability/worker’s comp insurance, dues & subscriptions, professional services, bank charges (including overdraft fees), interest, utilities/telephone
- Payments for outside contractors (service providers) – 1099s must be issued
- Meals – for a business purpose (travel, meeting with clients, etc) are 100% deductible in 2021 and 2022, then scheduled to return to 50% deductible in following years
- Uniforms – clothing specifically made for work, such as embroidered shirts, work boots and safety equipment
- Health Insurance – including long-term care, medical, dental and vision
- Group term life policies that cover all employees
- LLC fees and corporate taxes paid
- Donations to 501c3 charities (these donations flow through to your personal return)
- Home office – if you do not have an office at your work place
- Wages paid to children and family members (method of payment is dependent on your entity)
- Employer pension plans such as a SEP or Simple IRAs and 401ks
- Client gifts (rule is that amount is limited to \$25/person)
- Employee benefits (such as group health insurance, student loan reimbursement, tuition, etc)

Not Deductible:

- Entertainment – including but not limited to golfing, sports tickets, and club memberships
- Clothing – any day to day work clothing is not deductible
- Personal care – hair, nails, spa, gym memberships etc.
- Child care
- Life insurance (other than group-term policies that are employee benefits)
- Medical costs (co-pays, labs, medicines, etc) unless paid specifically for an on the job injury for an employee except under very specific medical reimbursement plans in some cases
- Payments for personal tax due (income taxes) for owners
- Penalties – including tax penalties, parking tickets or moving violations
- Donations to any political organizations and non recognized charities (Go Fund Me for individuals for example)
- Any payments for illegal drugs or activities

For any questions on other deductions or how they apply to your specific situation please contact CGC Accountants & Advisors, info@cgcbiz.com