



TAX DEDUCTIONS FOR SMALL BUSINESS OWNERS

 **BUSINESS**
TAX RELIEF

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Disclaimer – This is a free guide that should be used for general information purposes only. It is not affiliated with or endorsed by the IRS. Nothing in this guide should be construed as legal advice. Before enrolling in any tax relief program, we strongly recommend seeking the advice of a tax resolution specialist. Visit www.businessstaxrelief.com to schedule a free consultation or to learn more about your tax relief options.



Introduction

Small business owners are responsible for paying a myriad of taxes. Depending on the type of business and its structure, you could be responsible for paying some or all of the following:

- Federal and state income taxes
- Self-employment taxes
- Payroll taxes
- Unemployment and worker's compensation taxes
- Capital gains taxes
- Property taxes
- Dividend taxes

A good rule of thumb is to set aside 30 to 40 percent of your income to cover your federal and state taxes. Another important rule is to make sure you are taking every deduction available to help reduce your overall tax bill.

Small business owners often miss several tax deductions because they don't even know they exist. That's why we've put together this list of common tax deductions to help you identify opportunities for lowering your taxes. Keep in mind that tax laws are complex and always changing, so it's a good idea to visit [IRS.gov](https://www.irs.gov) for the latest rules and consult a tax professional to ensure you are taking every deduction available to you.

Tax Deductions A - Z

Advertising & Marketing

Any cost to promote or advertise your business is fully deductible. This may include, but is not limited to, advertisements in print, radio, TV, billboards, email, social media, and Google. You may also deduct costs for printed brochures, business cards, stationery, logo swag, and other related materials. If you build and/or maintain (web hosting, SEO, etc.) a company website, those expenses are also deductible.

Auto Expenses

If you own or lease a vehicle that is used purely for business purposes, you can deduct its entire operating costs. For vehicles that are used for both personal and business, you may only deduct the business usage costs. To determine your deduction, you may use one of the following methods:

1. **Standard Mileage Rate.** This option is the easiest to use. Multiply the current IRS mileage rate by the number of business miles driven to determine your deduction. For example, if you drove 10,000 business miles in the first six months of 2025 (IRS mileage rate of \$0.70), you would get a tax deduction of \$7,000.
2. **Actual Expense Method.** If using this method, you'll need to keep receipts for all auto-related expenses, such as gas, repairs, maintenance, and lease payments. Total up all expenses and multiply by the percentage that was used for business. Let's say you used your car for business 50% of the time and spent \$10,000 in expenses. In this case, your deduction would be \$5,000.

Regardless of which method you choose, you will still need to track your business mileage just in case you are audited.

Bad Debts

Generally, a business bad debt that is partially or wholly worthless may be deducted as an ordinary loss. The following are examples of business bad debts (if previously included in income):

- Loans to clients, suppliers, distributors, and employees
- Credit sales to customers, or
- Business loan guarantees

Unpaid accounts receivables, if using the cash method of accounting, can't be deducted as bad debts.

Charitable Contributions

C-corporations may deduct cash donations, supplies, and property donated to recognized charities. It is limited, however, to no more than 10% of your income. If you're a sole proprietor or other business structure, you may only write off charitable donations through your personal taxes.

Commissions & Fees

If you pay someone else to help sell your services or products, those costs may be written off as a tax deduction. This may include, but is not limited to:

- Commissions paid to sales staff
- Payments made to affiliate partners
- Credit card processing fees
- Merchant processing fees
- Bank fees for your business account(s)

Contract Labor

The cost of hiring a contractor or freelancer is fully tax-deductible. Be sure that you issue Form 1099-NEC to anyone you pay \$600 or more in any given tax year.

Cost of Goods Sold

Direct costs associated with producing or delivering goods and services are considered costs of goods sold. Only expenses that you make each time you produce a new product will qualify for the deduction. Expenses that are consistent regardless of how many items you produce, such as software or tools, would count as business expenses, but not costs of goods sold.

Depreciation & Amortization

Large equipment and assets purchased for your business may be written off over the lifetime of the item through depreciation (physical assets) or amortization (intangible assets). Calculating depreciation and amortization of assets can be fairly complicated, however, so we encourage you to enlist the help of an accountant or tax professional.

Education Expenses

If you are self-employed, you may be able to deduct the cost of work-related education expenses. To qualify, the expense must be for education that:

- Maintains or improves skills needed in your present profession; or
- Is legally required to keep your present position.

Expenses that typically qualify include tuition, books, supplies, and transportation/travel costs. If the education expense is part of a program that will qualify you for a new trade or business, or you need it to meet minimal educational requirements for your current trade/business, it is not tax-deductible.

Employee Benefits Programs

Small business owners who offer benefits to employees can take advantage of this tax deduction. Eligible expenses may include, but are not limited to:

- Health insurance plans
- Life insurance
- Retirement plan contributions
- Bonuses
- Awards
- Education assistance
- Profit sharing programs

- Pensions
- Child care assistance
- Adoption assistance

The rules for the various types of benefits programs vary, so it's a good idea to consult with a tax professional or an accountant before including these on your tax return.

Employee Gifts

Employee gifts are fully deductible up to \$25 per employee, per year.

Entertainment & Meals

For 2025, the business meal expense deduction remains at 50 percent. Meals must not be extravagant or lavish. Certain meals, however, are 100% deductible, including:

- Food for employee events, such as holiday parties and company picnics
- Food purchased in support of a charitable cause
- Meals provided to your employees for your convenience (pizzas for after-hour work)
- Meals sold to clients or customers
- Meals included as taxable compensation to employees or contractors

Entertainment costs are still non-deductible, but meal costs associated with the entertainment may be deducted if the cost is billed separately.

Home Office Expenses

Do you have a dedicated area in your home that is used exclusively for your business? If it is your primary place to conduct business, you may be eligible to deduct a portion of your home expenses as part of your business expenses. Eligible costs typically include mortgage payments, insurance, utilities, maintenance costs, internet service, and more.

There are two methods for calculating the home office deduction:

- **Simplified Method.** You may elect to use the simplified method to calculate your home office tax deduction if your office space is 300 square feet or less. With this option, you don't have to worry about adding up actual expenses. Instead, you simply multiply the total square footage by the current IRS rate to determine your deduction amount.
- **Actual Expenses.** If your office space is more than 300 square feet, you must use actual expenses to calculate your deduction. You should also use this method for smaller spaces if it provides a bigger deduction. Although this method is more complicated, you can deduct direct expenses in full. Indirect expenses are deductible based on the percentage of your home used for business.

If using the actual expenses method, you'll need to retain receipts and keep detailed records. You'll also be required to depreciate the value of your home.

Insurance

Many small business owners have insurance policies to cover their property and third-party liabilities. They may also have insurance to cover business interruption, cyber liability, malpractice, and workers' compensation. These insurance premiums are 100% tax-deductible.

With health insurance, you may also qualify for up to a 50% tax credit under the qualified small employer health reimbursement arrangement (QSEHRA).

Interest

You may be eligible to deduct 100% of interest paid to a lender or credit card company if you are legally liable for the debt, you and the lender intend for the debt to be repaid, and you both have a true debtor/creditor relationship. This only applies to accounts used for business purposes. If your credit card is used for both personal and business, you cannot take the deduction.

Legal & Professional Fees

If you hire a lawyer, accountant, bookkeeper, or tax professional to help with your business, 100% of the fees paid are tax-deductible, as long as the services provided are necessary and directly related to running your business.

Licenses & Fees

To be tax-deductible, your professional licenses must be "ordinary and necessary" for your business. You can deduct the cost of the license in the year that you pay the expense, regardless of when it expires. You may also deduct the cost of your local business license and renewal fees, as well as any trademark fees, if applicable.

Membership Dues

Membership dues for professional organizations, trade associations, and chambers of commerce are tax-deductible.

Office Supplies & Furniture

Everyday items such as paper, pens, staples, cleaning supplies, and even office furniture can be deducted from your business taxes.

Rent or Lease

Costs that apply to your business premises or equipment you rent or lease are fully deductible. You can't, however, deduct rental costs for the property you own. Common expenses in this category often include:

- Office or coworking space rental
- Event space rental
- Equipment rental (such as a 3D printer or video equipment)
- Storage or warehouse space rental

Repairs & Maintenance

Any expenses you incur for maintaining or repairing your business space or equipment are tax-deductible.

Retirement Plans

You can contribute up to 25% of self-employment income to your self-employed retirement plan. These contributions are 100% tax-deductible up to the annual limits.

Subscriptions

Subscriptions to trade publications, magazines, journals, books, or any materials related to your business activity are tax-deductible. Software subscriptions are also eligible for this tax deduction.

Startup Expenses

You may write off up to \$10,000 in costs related to creating, launching, and organizing your business. Any costs above this amount may be amortized over the next 15 years. Here are just a few of the eligible expenses:

- Market research
- Product analysis and testing
- Competitor analysis
- Hiring and training employees
- Consultant fees
- State and federal fees

Taxes

The taxes you must pay to keep your business running, excluding federal income taxes, are deductible. This includes state income taxes, property taxes (for any real estate owned by the business), and sales taxes. Payroll taxes (employer share of FICA, FUTA, and state unemployment insurance) are also deductible.

Travel Expenses

If you or your employees are traveling for business purposes, you may write off most expenses, including:

- **Transportation**, including costs to get to and from the location, as well as any incurred during your stay (Uber, Lyft, etc.)
- **Toll fees**
- **Lodging** (hotels, Airbnb, etc.)
- **Dry cleaning and laundry**
- **Meals** (50% of actual cost or per diem rate)

Keep in mind that travel must be outside of the city or area where you conduct business, and you must be gone for at least one full workday.

Utilities

Utility costs, such as water, electricity, and trash, are all tax-deductible. If you have a home office, however, you may only deduct the business portion.

IRS Small Business Tax Resources

The following resources are available on IRS.gov to assist small business owners and those who are self-employed.

- [Filing and Paying Your Business Taxes](#)
- [Business Tax Credits](#)
- [Deducting Business Expenses](#)
- [Employment Taxes](#)
- [Independent Contractor or Employee?](#)
- [Recordkeeping Tips](#)
- [Small Business Tax Workshop](#)
- [Online Tax Calendar](#)
- [Small Business Forms and Publications](#)

Need Help? Contact Business Tax Relief!

If you need additional assistance with your small business taxes, please visit [BusinessTaxRelief.com](https://www.BusinessTaxRelief.com) or call **855-518-1559** to schedule a free consultation with one of our dedicated tax professionals! We offer a variety of affordable small business solutions, including tax preparation, bookkeeping, and tax debt resolution.

