

## 8 AWESOME Tax Deductions for small business Owners

### 1. Home office

The home office deduction can offer a valuable deduction for expenses you already pay such as rent, mortgage, insurance, electricity, maintenance and real estate taxes. As a business owner, you can deduct a percentage of these expenses as a business deduction but beware of certain caveats. Contact us for information concerning the home office deduction.

### 2. Supplies, Office Equipment & Furniture

As you know, basic office supplies are always tax deductible but when your office supplies are more than just ink and paper you have another tax-saving opportunity. Any office equipment such as computers, fax machines and scanners or furniture you buy for your office or home office can provide a handsome tax deduction. A taxpayer will have a couple of choices on how to deduct the expenses associated with office equipment and furniture. (1) Deduct 100 percent of the cost in the year of the purchase using the Section 179 deduction or (2) Depreciate the expense over the useful life of the equipment. We can show you how to maximize these types of deductions.

### 3. Software and subscriptions

According to IRS guidelines, you can continue to take the total costs as a full deduction in the year spent.

### 4. Mileage

For many small business owners mileage is a very relevant deduction because mileage may be one of their biggest expenses. Taking the mileage deduction requires you to keep track of your mileage expenses but if the thought of keeping track of miles and expenses such as tolls, parking, car washes, gas, oil changes and repairs is overwhelming consider using the standard mileage rate: 56 cents per business mile driven in 2014. With this method, you don't have to track your auto-related expenses, just the miles driven for business purposes.

In addition, if you can claim a home office deduction, you get a bigger tax break because you can deduct the entire business-related mileage, from the minute you leave the driveway until you return home. If you not have a home office, your mileage meter starts at your first business-related destination and ends at your last. You can't include the drive to and from home.

### 5. Travel, meals, entertainment

While traveling for business purposes the cost of travel -- air, auto or rail - is 100 percent deductible, as are costs associated with life on the road (dry cleaning, rental cars and tipping). Meals on the road and any entertainment costs are deductible at 50% while traveling.

## **6. Insurance premiums**

Health insurance premiums for small business owners are 100 percent deductible. This break primarily benefits proprietorships, but there are limits. The deduction can't be more than your business' net profit. And it's not allowed if you were eligible for other health care coverage, including that offered by your employed spouse's medical plan. You also can include some of the premiums you pay for long-term care insurance for yourself, your spouse or dependents.

## **7. Retirement contributions**

Business Owners can save for retirement with a SEP IRA or Keogh and can deduct all contribution on their personal income tax return.

## **8. Hire your Child**

For those running a small business as a sole proprietorship or husband-wife partnership consider hiring your under-age-18 child as a bona fide employee. It can be part-time or full-time — whatever works for you and your child. Even better, your employee-child can use his or her standard deduction to shelter up to \$6,300 of 2014 wages from federal income tax. So your child will probably owe zero federal employment taxes and zero federal income tax on the first \$6,300 of his or her 2014 wages. Make the money go even further by contributing the salary to a Roth IRA. Not only have you gotten a nice tax deduction from the salary and trained your child to save, you've also helped establish an account that can be used for college or retirement.

This break is available only if you operate as a sole proprietor or as a partnership in which you and your spouse are the only partners.

Montello Tax and Financial Planning, LLC educates business owners about tax planning and offers prudent tax reduction strategies. For more information about our company or these tax deduction strategies give us a call at (561) 694-6660 or visit our website at <https://montellotax.com>.