

# IRS BUSINESS EXPENSE CATEGORIES

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-Deductible Business Expenses	Tax Form To Claim Deduction
<b>Employee Wages</b>	Wages, Salary, Bonuses, Commissions, Vacation, Sick pay		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Employee Education Expenses</b>	Reimbursement or payment of tuition, books and other expenses for an employee		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Employee Benefits</b>	Accident & Health Plans, Adoption Assistance, Cafeteria Plans, Dependent Care Assistance, Life Insurance		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Rent Expense</b>	Office space, Equipment rental, Leased warehouse, Leased vehicles		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Taxes for Leased Business Property</b>	Taxes paid to a lessor on leased office space, equipment and vehicles		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Business Interest on Debt for Trade or Business</b>	Interest paid on all loans, lines of credit and other liabilities incurred for your trade or business	<b>The following are not deductible business expenses:</b> Interest on income tax debt, Interest on loans with respect to life insurance policies, Interest on personal loans and credit cards	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Payroll Taxes</b>	Social security taxes, Medicare taxes, Unemployment taxes		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Real Estate Taxes</b>	Property taxes paid on real estate		<b>*One of the following based on type of property:</b> Form 8829, Sch A, Sch E
<b>Excise Taxes</b>	An additional tax paid for items such as: alcohol, tobacco, fuel		
<b>Personal Property Taxes</b>	A tax imposed by a state or local government on personal property used in your trade or business.		
<b>Insurance Premiums</b>	<b>Insurance premiums for insurance covering:</b> Fire, storm, theft, accident, business bad debts, liability, malpractice, workers' comp, vehicles used for business, life of officers and employees (you are not the beneficiary)		

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<b>Self-Employed Health Insurance</b>	Amounts paid for medical, dental and qualified long-term care insurance for yourself, your spouse, and your dependents		S-Corps: N/A C-Corps: N/A Sole Props: Form 1040 Partners: Form 1040
<b>Business Start-Up Costs and Organizational Costs</b>	<b>Up to \$5,000 of business start-up and \$5,000 of org costs:</b> Advertisement for grand opening, Costs of creating a corporation or partnership, A survey of potential markets, Salaries and wages for training employees		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Business Bad Debts</b>	Unpaid amounts not received from a customer for services rendered can be deducted as bad debt by accrual-basis businesses		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Reimbursement of Travel, Meals and Entertainment to Employees</b>	Transportation, meals and lodging expenses incurred by employees on behalf of a business are deductible. Meals are subject to a 50% limit	Entertainment is not deductible.	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Advertising/Marketing Costs</b>	Business cards, flyers, website and fees paid to companies like Constant Contact to send promotional emails		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Car and Truck Expenses</b>	Gas, repairs, registration fees, miles driven for business	Entertainment is not deductible.	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Charitable Contributions</b>	Deductions made to qualified 501(c)(3) charities are deductible	Donations are limited to 50% of AGI for Sole Prop, Partners, & S-Corp shareholders. Donations are limited to 10% of taxable income for C-Corps.	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule A Partnerships: Form 1065
<b>Club Dues and Membership Fees</b>	<b>Dues/Fees paid to the following orgs are deductible:</b> Business leagues, Chambers of commerce, Civic or public service orgs, Professional orgs, Real estate boards, Trade associations	<b>Dues paid to the following orgs are not deductible:</b> Country clubs, Golf & athletic clubs, Hotel clubs, Sporting clubs, Airline clubs	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Franchise, Trademark, Trade name</b>	Costs incurred to purchase a franchise, trademark or trade name.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Interview expense allowances</b>	Reimbursements you make to job candidates for transportation or other expenses related to interviews; meals are subject to 50% limit.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065

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<b>Legal and professional fees</b>	Fees paid to attorneys and CPAs who provide services to your trade or business.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Tax preparation fees</b>	Fees paid to anyone who prepares your tax return.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>License and Permits</b>	Business license, liquor license, realtor license and other permits required for your trade or business.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Penalties and fines</b>	Penalties paid for late performance or nonperformance of a contract.	Fines paid to a government or nongovernment entity for the violation of a law (i.e. parking tickets, health department fines, tax penalties)	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Repairs</b>	Minor repairs like painting, cleaning & repairing roof, fixing plumbing leaks - (Note: major repairs that will increase the value of the property are subject to depreciation)		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Subscriptions</b>	Subscriptions to professional, technical, and trade journals for your business field.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Supplies and Materials</b>	Office supplies, cleaning supplies, books, printer ink, paper, light bulbs etc;		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Utilities</b>	Electricity, gas, landline, water and sewage		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Telephone</b>	Monthly service charges and fees paid for telephone service in a commercial office space. (See Home Office for more details)	Cost of basic local telephone service and taxes for the first telephone line you have in you home.	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Depreciable Assets</b>	Electricity, gas, landline, water and sewUnder Sec 179, up to \$1,020,000 (2019) can be deducted in the first year for qualified property, equipment including a vehicle	Special limitations apply to Section 179 on a vehicle	<a href="#">IRS Form 4562</a>

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<b>Payments to 1099 Contractors</b>	Payments to contractors like: bookkeepers, virtual assistants, design firms and anyone who provides a service to your trade or business.		S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Home Office</b>	<b>If you have a home office, you may be eligible to deduct a percentage of the following expenses:</b> Utilities, Real estate taxes, Insurance, mortgage interest. You may choose to deduct \$5 per square foot up to 300 square foot instead of actual.	<b>You cannot deduct any household expenses that are unrelated to your business like:</b> Lawn care, Pool service, First landline in house	<a href="#">IRS Form 8829</a>
<b>Retirement Contributions</b>	<b>Contributions to a retirement plan, subject to the following limits:</b>  Traditional IRA: \$6,000 SEP IRA: 25% of your income Roth IRA: \$6,000		S-Corps: N/A C-Corps: N/A Sole Props: Form 1040 Partners: Form 1040
<b>Client Gifts</b>	Gifts purchased for clients are deductible up to \$25.	Any client gift amount that exceeds \$25.	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065
<b>Continuing Education</b>	Registration fees and materials for seminars and courses that are useful for your trade or business.	Education that qualifies you for a new career are not deductible	S-Corps: Form 1120S C-Corps: Form 1120 Sole Props: Schedule C Partnerships: Form 1065