

**IRS BUSINESS EXPENSE C ATEGORIES**

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| **Business Expense Category Employee Wages** | **Examples of Deductible Business Expenses** | **Examples of Non-Deductible Business Expenses** | **Tax Form To Claim Deduction** |
| Wages, Salary, Bonuses, Commissions, Vacation, Sick pay |  | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **Employee Education Expenses** | 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 |
| **Employee Beneﬁts** | 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 |
| **Rent Expense** | Ofﬁce space, Equipment rental, Leased warehouse, Leased vehicles |  | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **Taxes for Leased Business Property** | 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 |
| **Business Interest on Debt for Trade or Business** | Interest paid on all loans, lines of credit and other liabilities incurred for your trade or business | **The following are not deductible business expenses:** 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 |
| **Payroll Taxes** | Social security taxes, Medicare taxes, Unemployment taxes |  | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **Real Estate Taxes** | Property taxes paid on real estate |  | **\*One of the following based on type of property:**  Form 8829, Sch A, Sch E |
| **Excise Taxes** | An additional tax paid for items such as: alcohol, tobacco, fuel |  | S-Corps: Form 1120S C-Corps: Form 1120 Sol Props: Schedule C  Partnerships: Form 1065 |
| **Personal Property Taxes** | A tax imposed by a state or local government on personal property used in your trade or business. |  | S-Corps: Form 1120S C-Corps: Form 1120 Sol Props: Schedule C  Partnerships: Form 1065 |
| **Insurance Premiums** | **Insurance premiums for insurance covering:** 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) |  | S-Corps: Form 1120S C-Corps: Form 1120 Sol Props: Schedule C  Partnerships: Form 1065 |



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| **Business Expense Category Self-Employed Health Insurance** | **Examples of Deductible Business Expenses** | **Examples of Non-Deductible Business Expenses** | **Tax Form To Claim Deduction** |
| 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 |
| **Business Start-Up Costs and Organizational Costs** | **Up to $5,000 of business start-up and**  **$5,000 of org costs:** 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 |
| **Business Bad Debts** | 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 |
| **Reimbursement of Travel, Meals and Entertainment to Employees** | 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 |
| **Advertising/Marketing Costs** | 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 |
| **Car and Truck Expenses** | Gas, repairs, registration fees, miles driven for business |  | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **Charitable Contributions** | Deductions made to qualiﬁed 501(c)(3) charities are deductible | Donations are limited to 60% of AGI for Sole Proprietors, Partners, &  S-corps.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 |
| **Club Dues and Membership Fees** | **Dues/Fees paid to the following orgs are deductible:** Business leagues, Chambers of commerce, Civic or public service orgs, Professional orgs, Real estate boards, Trade associations | **Dues paid to the following orgs are not deductible:** 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 |
| **Franchise, Trademark, Trade name** | 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 |
| **Interview expense allowances** | 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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| **Business Expense Category Legal and professional fees** | **Examples of Deductible Business Expenses** | **Examples of Non-Deductible Business Expenses** | **Tax Form To Claim Deduction** |
| Fees paid to attorneys and CPAs who provide services to your trade or business. | Legal fees you pay to acquire business assets usually aren’t deductible. These costs are added to the basis of the property | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **Tax preparation fees** | Fees paid to anyone who prepares your business tax return or the business portion of your personal return are deductible. | Fees paid for the preparation of your personal return are not deductible. | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **License and Permits** | 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 |
| **Penalties and ﬁnes** | 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 |
| **Repairs** | 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 |
| **Subscriptions** | 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 |
| **Supplies and Materials** | 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 |
| **Utilities** | Electricity, gas, landline, water and sewage |  | S-Corps: Form 1120S C-Corps: Form 1120  Sole Props: Schedule C Partnerships: Form 1065 |
| **Telephone** | 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 |
| **Depreciable Assets** | Under Sec 179, up to $1,160,000 (2023) can be deducted in the ﬁrst year for qualiﬁed property and equipment, including a vehicle | Special limitations apply to Section 179 on a vehicle | [IRS Form 4562](https://www.irs.gov/pub/irs-pdf/f4562.pdf) |



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| **Business Expense Category Payments to 1099 Contractors** | **Examples of Deductible Business Expenses** | **Examples of Non-Deductible Business Expenses** | **Tax Form To Claim Deduction** |
| 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 |
| **Home Ofﬁce** | **If you have a home ofﬁce, you may be eligible to deduct a percentage of the following expenses:** Utilities, Real estate taxes, Insurance, mortgage interest. You may choose to deduct $5 per square foot up to 300 square foot instead of actual. | **You cannot deduct any household expenses that are unrelated to your business like:** Lawn care, Pool service, First landline in house | [IRS Form 8829](https://www.irs.gov/pub/irs-pdf/f8829.pdf) |
| **Retirement Contributions** | **Contributions to a retirement plan, subject to the following limits:**  IRA: $6,500  Roth IRA: $6,500  SEP IRA: 25% of Income |  | S-Corps: N/A C-Corps: N/A  Sole Props: Form 1040 Partners: Form 1040 |
| **Client Gifts** | 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 |
| **Continuing Education** | 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 |
| **Removal of barriers to disabled** | Cost of removing architectural or transportation barriers to allow access for disabled persons |  | S-Corps: Form 1120S C-Corps: Form 1120 Sol Props: Schedule C  Partnerships: Form 1065 |