

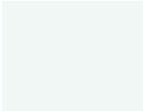


LESSON 5

SMALL BUSINESS DEDUCTIONS

HOME OFFICE DEDUCTION*worksheet*

Use this worksheet if you work from home in a space dedicated to only your business (the kitchen table doesn't count!). Complete both methods the first time you are taking the deduction to see which one is higher. Use that method for your tax return.

 = **(A)** Square footage of home office space used exclusively for business

 = **(B)** Square footage of entire home

Method 1:

A x \$5 = Home office deduction up to the net income of the business



Method 2:

A ÷ B = % Business use percentage applied to home expenses

Home Expenses	Direct	Indirect
Deductible mortgage interest		
Deductible mortgage insurance premiums		
Real estate taxes		
Homeowner's / renter's insurance		
Rent		
Repairs & maintenance		
Utilities		
Other expenses (i.e. Internet)		
TOTAL		

**total direct expenses + (business use % x total indirect expenses)
= home office deduction**

BUSINESS AUTO EXPENSE DEDUCTION*worksheet*

Use this worksheet if you've driven your car for business purposes. Complete both methods the first time you are taking the deduction to see which one is higher. Use that method for your tax return.

Method 1: Auto Expenses Method

Expense the business percentage of your car expenses.

$$\text{business miles} \div \text{total miles} = \text{business \%}$$

Auto Expenses	
Gasoline	
Oil Changes	
Repairs & Maintenance	
Tires	
Insurance	
Registration Fees	
Licenses	
Depreciation (calculated on return)	
TOTAL	

$$\begin{aligned} \text{total auto expenses} \times \text{business \%} \\ = \text{auto expense deduction} \end{aligned}$$

Method 2: Mileage Method

To use this method, you must use it in the first year you use your car for business. In later years, you can choose between the two methods. You'll track your business miles and multiply the total by the standard business mileage rate for the year.

In 2015, the rate is \$0.575 per mile.

business miles x mileage rate = auto expense deduction

BUSINESS TAX

checklist

Use this list as a guide when thinking about what income and expenses to include. You may have other expenses that aren't on the list, and that is 100% OK!

Income

- 1099s received for the year
- All other income received that wasn't reported on a 1099

Expenses

- Accountant/bookkeeping fees
- Advertising fees
- Bank fees
- Business insurance
- Contractor payments
- Digital downloads
- Education expenses
- Employee wages and employment taxes paid
- Legal fees
- Meals and entertainment
- Office expenses
- Payment processor fees (ex: PayPal fees)
- Rent expenses (equipment or office space)
- Repairs and maintenance fees

- Software subscriptions
- Supplies
- Website fees

Auto and Travel

- Airfare
- Auto expenses (if using the actual expense method)
- Business mileage driven
- Hotel fees
- Rental cars
- Taxis

Home Office

- Square footage of office space
- Square footage of entire home
- Mortgage interest for home
- Real estate taxes
- Home insurance
- Repairs and maintenance on home
- Home utilities (water, electricity, gas, etc.)