

Documentation

In order to claim these deductions, the IRS requires that taxpayers accurately account for their deductible business expenses

One way to do this is by keeping a daily diary of expenditures made in connection with your business

What should my records show?

The information you keep concerning your business expenses should AT LEAST include:

Amount of the expense

Nature of the expense

Date of the expense

Example: January 11- \$12 for client's lunch

The best way to keep records of your deductible business expenses is by **SAVING RECEIPTS!**

If receipts are unavailable or accidentally lost or destroyed, there are other ways to prove your expenses to the IRS

For example, a **cancelled check** may be accepted, as long as it contains a "memo" of what you paid for and it is for a reasonable amount for that item or service



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Deducting Business Expenses



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What are deductible Business Expenses?

To be deductible, a business expense needs to be:

Ordinary

- An ordinary expense is one that is common and accepted in your trade or business

Necessary

- A necessary expense is one that is helpful and appropriate for your business
- An expense does NOT have to be *required* to be considered necessary

What types of business expenses qualify?

- Travel
- Meals
- Vehicles
- Other miscellaneous expenses

When are Travel and Meal expenses deductible?

When you are traveling away from your tax home for business, you are allowed to deduct certain expenses related to this travel

You are traveling away from home if:

Your duties require you to be away from the *city or general area* of your TAX HOME where your regular place of business is located for substantially longer than an ordinary day's work

AND

You need to *sleep or rest* to meet the demands of your work while away from home

NOTE: Generally, your tax home is your regular place of business, *regardless* of where you maintain your family home.



Travel:

Type of Expense	You can deduct the cost of...
Transportation	<i>travel by airplane, train, bus, or car between your home and your business destination.</i>
Taxi, bus, airport shuttle	<i>fairs for these and similar types of transportation that you take between the airport and your hotel AND between the hotel and your temporary work location.</i>
Car	<i>operating and maintaining your car when traveling away from home on business. This includes tolls, parking fees, and rental fees when they are business related.</i>
Lodging and Meals	<i>your lodging and meals if your business trip is overnight, or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and tips.</i>
Cleaning	<i>dry cleaning and laundry.</i>
Telephone	<i>business calls and faxes while on your business trip.</i>
Tips	<i>tips you pay for any eligible expenses.</i>
Other	<i>other similar ordinary and necessary expenses related to your business travel. These expenses might include transportation to and from a business meal, computer rental fees, etc.</i>

Meals:

You can deduct the cost of meals while traveling away from your tax home if it is necessary for you to stop for substantial sleep or rest to properly perform your duties

LIMITATION:

You may only deduct 50% of the cost of your meals

Vehicles:

What vehicles are included?

- Cars, Trucks, and Vans

What vehicles are not eligible for a deduction?

- Taxis, Limos, Hearses, or any other vehicle used in the business of transporting persons or property for pay or hire

Rules for claiming vehicle deductions:

- The vehicle MUST be used for a business purpose
- If you use your vehicle for BOTH PERSONAL and BUSINESS purposes, you can only deduct the amount of expenses that are paid for the business purpose

For Example: If you drive your car for 5,000 miles for business purposes and 5,000 miles for personal use for a total of 10,000 miles, you can only deduct half of any vehicle expenses

What type of vehicle expenses are deductible?

- Lease payments
- Maintenance and repairs
- Gasoline
- Oil
- Insurance
- Vehicle registration fees

Other Miscellaneous Expenses:

- Advertising costs
- Special work clothes
 - The cost of uniforms and other special work clothes are deductible if:
 1. They are required by your job, AND
 2. They are NOT SUITABLE for everyday use
- Subscriptions to trade magazines and professional journals
- Tools common to your business or trade