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SMALL BUSINESS TAX DEDUCTIONS CHECKLIST

Small business owners spend 20+ hours a year on federal taxes — and the biggest burden isn't the bill, it's the complexity. Use this checklist to quickly find every deduction you're eligible for and track expenses throughout the year so you're ready when tax time comes.

This checklist is based on U.S. tax regulations. Not all items may apply to your business. Consult your accountant or tax professional before claiming deductions.

1. Business startup costs

You can deduct up to $5,000 in startup expenses in your first year — though this phases out dollar-for-dollar if total startup costs exceed $50,000. Any remaining costs can be amortized over 15 years.

- Market research
- Legal fees for forming your LLC or business entity
- Training programs and employee onboarding
- Government filings and permits
- Consulting fees and business planning
- Website development
- Initial advertising campaigns
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2. Employee wages and benefits

Deductible for employees other than the owner. Sole proprietors can't deduct their own salary, but can deduct what they pay employees.

- Salaries and hourly wages
- Bonuses and commissions
- Sick pay and vacation pay
- Health insurance premiums for employees
- Employment taxes
- Workers' compensation insurance
- Retirement plan contributions made on behalf of employees
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3. Qualified business income (QBI) deduction

Pass-through entities (sole proprietorships, partnerships, S corps, LLCs) may deduct up to 23% of qualified business income (updated for 2026). Income limits and phase-outs apply — so check with your tax professional.

- Qualified business income (net profit, excluding capital gains, dividends, and interest income)
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4. Depreciation

Spread the cost of expensive assets over several years. Section 179 allows up to $2,560,000 in deductions for qualifying assets (2026). Bonus depreciation at 100% is available for all qualified property — new and used — acquired after January 19, 2025.

- Commercial real estate (if owned)
- Vehicles (5-year depreciation schedule)
- Large equipment and machinery
- Office furniture and appliances (7-year depreciation schedule)
- Computers and electronics (5-year depreciation schedule)
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5. Retirement plan contributions

Contributions to qualifying retirement plans are deductible. The deductible amount depends on the plan type and your income level.

- Traditional IRA contributions
- Solo 401(k) contributions
- SEP-IRA contributions
- SIMPLE IRA contributions
- Keogh plan contributions
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6. Insurance premiums

Most business insurance premiums are fully deductible. Self-employed individuals may also deduct health insurance premiums for themselves and their family on their personal return.

- General liability insurance
- Professional liability insurance
- Workers' compensation insurance
- Business property insurance
- Business interruption insurance
- Cyber liability insurance
- Unemployment insurance
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- ______________________

7. Advertising and marketing

Advertising and marketing expenses are 100% deductible with no dollar cap.

- Website design, hosting, and domain fees
- Freelance copywriters, designers, and social media managers
- Branding (logo design, uniforms, vehicle wraps, swag)
- Print materials (business cards, flyers, brochures)
- Email marketing tools and SEO services
- Event sponsorships
- Social media advertising
- Stock images, video, and audio
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8. Office space

Rent, security deposits, and lease cancellation fees for office or retail space are fully deductible. For home offices, you can deduct $5/sq ft (up to 300 sq ft) for space used exclusively and regularly for business.

- Office or desk rental fees
- Security deposit
- Lease cancellation fees
- Home office deduction (if applicable)
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9. Business vehicle or business use of car

100% of operating costs are deductible for vehicles used solely for business. For personal vehicles used for business, you must keep detailed records and claim only the business-use percentage.

- Standard mileage rate
- Fuel
- Maintenance (inspections, parts, repairs)
- Depreciation on vehicle
- Registration and insurance
- Lease payments
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10. Independent contractors

Deductible as long as the contractor isn't actually an employee and the work is for business purposes. You must send Form 1099-NEC to any contractor you pay more than $600 during the tax year.

- Freelancer fees (writers, designers, developers)
- Virtual assistant fees
- Cleaning or maintenance services
- Marketing consultant fees
- Seasonal help
- Agency fees
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11. Legal and professional fees

Fees are fully deductible as long as the services relate to your business, not personal matters.

- Attorney fees (contracts, business advice)
- Bookkeeping services
- Tax preparation fees
- Business consulting fees
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12. Interest on loans and credit cards

Only the interest portion is deductible, not principal payments. Credit card processing fees are also deductible, though they fall under merchant services rather than interest. Note: the business interest deduction limit is currently calculated on EBITDA (earnings before interest, taxes, depreciation, and amortization), which is restored through 2029 — consult your tax professional for details.

- Business loan interest
- Business credit card interest and fees
- Line of credit interest and fees
- Credit card processing fees
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13. Education and training

Deductible if the education maintains or improves skills for your current business — not if it qualifies you for a new trade or business.

- Certifications and skill-based training programs
- Classes, seminars, webinars, and workshops
- Industry-specific books, magazines, and journals
- Trade association and professional organization membership dues
- Chamber of commerce fees
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14. Business meals

Generally 50% deductible. On-site meals provided for the employer's convenience (breakroom coffee, cafeteria meals) are no longer deductible as of January 1, 2026. Entertainment expenses (sporting events, concerts) are not deductible.

- Client meetings over meals (50%)
- Meals during business travel (50%)
- On-the-clock employee meals during overtime (50%)
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- ______________________

15. Business travel

The trip must be overnight, at least 100 miles from home, and have a clear business purpose.

- Flights, train tickets, and bus fare
- Rideshare and taxi costs
- Car rental and fuel
- Mileage, parking, and tolls
- Hotel and motel accommodations
- Hotel and motel accommodations
- Laundry and dry cleaning
- Shipping of business materials (e.g., trade show displays)
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16. Telephone and internet expenses

Fully deductible for dedicated business lines. For personal phone or home internet used for business, deduct only the percentage used for business purposes.

- Business phone plan
- Mobile device payments
- Internet bill (business percentage only if shared with personal use)
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17. Inventory

Applies to product-based businesses (e.g., retail, manufacturing). If your business is service-based, you can skip this section. Inventory costs are deductible as part of your cost of goods sold (COGS). Formula: Beginning Inventory + Purchases – Ending Inventory = COGS.

- Raw materials
- Shipping and freight costs
- Storage fees
- Factory overhead
- Direct labor costs for workers who produce the products
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18. Office supplies

Items under $2,500 can be deducted immediately. Items over $2,500 may need to be depreciated over several years.

- Office supplies (pens, paper, notebooks, printer ink)
- Office furniture (chairs, desks, filing cabinets)
- Electronics (computers, tablets, phones)
- Cloud software subscriptions (accounting, project management, communication tools)
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19. Banking fees

Only deductible for a dedicated business bank account — another reason not to mix personal and business finances.

- Monthly account maintenance fees
- Overdraft charges
- Wire transfer fees
- Check printing costs
- Third-party payment processor fees (PayPal, Venmo, Stripe)
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20. Bad debts

When a customer owes you money you can't realistically collect, you may be able to write it off. The debt must have been counted as income to qualify. Cash-basis businesses that never received payment cannot deduct unpaid amounts.

- Unpaid invoices
- Uncollectible business loans or advances previously recorded as income
- Vendor or customer lines of credit gone bad
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21. Charitable donations

Cash or in-kind donations to 501(c)(3) organizations are deductible, subject to a 0.5% AGI floor. Sole proprietors, partners, and LLC owners must claim these on their personal returns, not their business returns. Non-itemizers may claim a universal $1,000 deduction (2026). Keep written acknowledgment for any donation over $250.

- Cash donations
- In-kind donations
- ____________________________
- ____________________________

Tracking wages, overtime, PTO, and tips for your employee deductions? Automatically record everything and export it directly to your tax software or accountant with Homebase Payroll.