ARE YOU MISSING THESE BUSINESS TAX DEDUCTIONS?

By Michelle Bufano, Founder and CEO, Michelle Bufano Business Consulting LLC

A quick note: I am not an accountant or tax professional. This newsletter provides general educational information, not tax advice. Please confirm all tax information with your own qualified tax professional, including whether it applies to your business, before claiming deductions or making tax-planning decisions.

"I know I spent money on my business this year. But did I keep track of everything I might be able to deduct?"

It is a question worth asking now, while there is still time before year-end to organize your records and speak with your accountant.

When you are busy running a business, expenses can get scattered. Receipts stay in your inbox. Small subscriptions renew automatically. You pay for supplies with a personal card and forget to tell your bookkeeper. By tax time, you may remember spending the money but struggle to explain exactly what it was for.

You do not need to become a tax expert. You do need a reliable record of your spending and a clear list of questions for someone who is.

This article provides educational guidance only, not tax or legal advice. Check with your accountant before claiming deductions or making tax-planning decisions. Eligibility, limits, documentation, and timing depend on your circumstances and applicable tax rules.

1. Start With What Makes an Expense Deductible

The general federal rule is that a business expense must be ordinary and necessary.

The general federal rule is that a business expense must be ordinary and necessary. "Ordinary" means common and accepted in your industry. "Necessary" means helpful and appropriate for your business; it does not have to be indispensable.

That does not mean everything you buy through your business is deductible. Personal spending remains personal, even when charged to a business credit card. Some otherwise qualifying expenses are only partly deductible. Others must be recovered over time or are subject to special rules.

Think of the checklist below as a way to prepare for your accountant—not as permission to deduct every item on it.

.

2. Review Your Everyday Operating Expenses

Start with the costs of keeping your business running. They may seem obvious, but smaller charges and occasional purchases are easy to miss.

- **Rent:** Payments for qualifying business premises or workspace.
- **Utilities:** Electricity, heat, water, and other utilities attributable to business operations.

- **Office supplies:** Paper, ink, postage, shipping materials, and other supplies used in your business.
- **Repairs and maintenance:** Qualifying costs to maintain business property. Ask your accountant to distinguish repairs from improvements that may need different treatment.
- **Business insurance:** Premiums for qualifying coverage, such as general liability, professional liability, or commercial property insurance. Not every insurance premium receives the same treatment.
- **Licenses and permits:** Qualifying fees required to operate your business.
- **Bank and payment-processing fees:** Business account charges, merchant fees, and payment-platform processing costs.

Review the actual transactions, not just the category totals. A charge labeled "miscellaneous" may need a better description before your accountant can evaluate it.

3. Check Technology, Marketing, and Professional Support

These costs are often spread across several platforms and payment methods. Review recurring charges as well as one-time invoices.

- **Software and online tools:** Business subscriptions for bookkeeping, scheduling, video meetings, document storage, design, customer management, and AI tools.
- **Website expenses:** Hosting, domain registration, maintenance, and other qualifying website costs. Development costs may require separate analysis.
- **Advertising and marketing:** Qualifying advertising, promotional materials, email marketing, and outside marketing services.
- **Legal, accounting, and bookkeeping fees:** Fees related to operating your business. Costs associated with forming, buying, or selling a business may be treated differently.
- **Professional dues and subscriptions:** Qualifying trade-association dues and business publications. Do not assume social or recreational club memberships qualify.

Also check whether business subscriptions are being paid from personal accounts. Flag those costs for your accountant so they can be recorded correctly, without duplicating expenses already in the books.

4. Include the Costs of Your Team

If you have employees or use independent contractors, review the expenses associated with their work.

- **Employee compensation:** Qualifying wages, salaries, and bonuses.
- **Contractor payments:** Payments for legitimate business services, with supporting invoices and payment records.
- **Employer payroll taxes:** The employer's share of applicable payroll taxes.
- **Employee benefits:** Qualifying health coverage, retirement contributions, and other eligible benefit expenses, subject to the applicable rules.

Ask your accountant about worker classification and any related reporting requirements. Calling someone a contractor does not determine their legal or tax status.

Owner payments also deserve separate attention. An owner's draw is not automatically a deductible wage expense. Your business's tax classification affects how compensation, distributions, and benefits are handled.

5. Give Equipment Purchases Their Own Review

Computers, desks, tools, machinery, and other equipment can represent substantial spending.

Keep a separate list showing the purchase date, cost, business use, and when each item was placed in service.

Your accountant can determine whether an item qualifies for a current deduction or whether its cost must be recovered through depreciation or another method. Ask about applicable elections, limits, and any differences between federal and state treatment.

Do not assume that ordering or paying for equipment before December 31 is enough to obtain a deduction for that year. The applicable timing rules matter.

And do not make an unnecessary purchase simply to get a write-off. A deduction reduces taxable income; it does not return the full purchase price to your bank account.

6. Look Closely at Vehicle Use, Travel, and Meals

These expenses need particular care because business and personal activity can overlap.

Business vehicle use. If you use a vehicle for business, keep records of qualifying trips, mileage, dates, and business purposes. Ordinary commuting is generally personal. Ask your accountant whether the standard mileage or actual-expense method applies and what records you need. You cannot simply count every trip made during a workday as business travel.

Business travel. Qualifying transportation, lodging, and related expenses may be deductible when you travel away from your tax home for business. A personal trip does not become fully deductible because you schedule a business meeting during it. Explain any mixed-purpose travel to your accountant and separate personal costs.

Business meals. Qualifying business meals are generally subject to a 50% deduction limit, with exceptions. Keep the receipt and a record of the business purpose and participants where applicable. Entertainment is generally nondeductible, even when a client attends; food purchased or separately stated may require its own analysis.

If your documentation is incomplete, gather available records and ask your accountant how to address the gaps. Do not invent mileage or business purposes after the fact.

7. Review Phone, Internet, and Home-Office Costs
A personal account may include legitimate business use, but that does not make the entire bill deductible.

Phone and internet. Identify the business portion and ask your accountant how to support the allocation. Special rules can apply, including to a home's first telephone line.

Home office. A qualifying home office generally must be used regularly and exclusively for business and meet additional requirements. Exceptions exist for certain uses, including qualifying daycare and inventory storage. Occasionally working at the kitchen table does not, by itself, establish eligibility. If you may qualify, ask your accountant about the available calculation methods and the records needed. How the expense is claimed can also depend on your business's tax classification.

8. **Separate Startup and Organizational Costs**
Money spent before a business opens can receive different treatment from ongoing operating expenses. Keep pre-opening costs in their own category so they do not disappear into your ordinary expense totals.

Startup costs may include qualifying market research, pre-opening advertising, and training undertaken to prepare an active business. **Organizational costs** can include qualifying legal and filing expenses to organize a corporation or partnership. The rules depend on the cost and the entity's tax classification. Under the general federal rules, you may be able to deduct up to $5,000 of qualifying startup costs and a separate $5,000 of qualifying organizational costs. Each allowance is reduced when costs in that category exceed $50,000. Remaining qualifying costs are generally amortized over 180 months, beginning when the business starts.

That does not make every formation or launch expense eligible. Equipment, buying an existing business, raising capital, and developing technology can involve different rules. Give your accountant a dated list of pre-opening expenditures and the date business operations actually began.

9. Include Qualifying Education and Professional Development
Courses, seminars, continuing education, and related materials may qualify when they maintain or improve skills used in your existing work or meet qualifying requirements for retaining your professional status.

For example, a course that helps you perform services your business already offers may deserve review. Education that meets minimum requirements to enter a profession or qualifies you for a new trade or business generally does not qualify under the work-related education deduction rules.

Keep the invoice, course description, and a short explanation of how the training relates to your current business. A course's "business" label—or your belief that it may someday help you earn money—is not enough by itself. Ask your accountant to evaluate conferences,

coaching, and combined education-and-travel expenses based on their actual purpose.

10. Review Business Interest and Financing Costs

If you borrowed money for your business, separate the interest from the principal payments. Repaying principal is generally not itself a deductible expense. Interest attributable to business use of borrowed funds may qualify, subject to applicable limitations and capitalization rules.

Potential items to review include interest on business loans, business credit card balances, and lines of credit. How you used the borrowed money matters; putting a loan in the business's name does not make interest on personal spending deductible.

Bring loan statements and an explanation of how the proceeds were used. Ask separately about origination fees and other financing charges, which may need to be recovered over time rather than deducted immediately.

11. Account for Inventory and Cost of Goods Sold

If you sell products, the cost of those products needs its own review. Merchandise purchased for resale, raw materials, and certain production costs may be accounted for through inventory and cost of goods sold rather than ordinary operating-expense deductions.

Buying inventory does not necessarily mean you deduct the entire purchase immediately. The timing depends on your accounting method and the rules that apply to your business, including any available small-business inventory exceptions.
Review beginning and ending inventory, purchases, returns, and items that are damaged or obsolete with your accountant.

Do not deduct the same cost once as inventory or cost of goods sold and again as a supply or other operating expense.

12. Check Business Gifts and Other Easily Misclassified Spending

Business gifts. Federal deductions for business gifts are generally limited to $25 per recipient per year, subject to exceptions and special rules. Certain incidental costs, such as qualifying shipping or engraving, may be treated separately. Keep the recipient's name, business relationship, date, and cost. A $100 client gift is not automatically a $100 deduction.

Business taxes. Certain taxes attributable to business operations may be deductible, but the type of tax and entity matter. Ask your accountant about business property taxes, employer payroll taxes, and relevant state or local taxes. Federal income taxes are not deductible business expenses.

Charitable payments and sponsorships. Do not put every donation into advertising. A genuine advertising sponsorship and a charitable contribution can receive different treatment. Ask your accountant how the payment should be classified and who, if anyone, can claim a deduction.

Unpaid invoices. Bad-debt deductions have

specific requirements. A cash-basis service business generally cannot deduct an unpaid fee it never included in taxable income. Accrual-method receivables and actual business loans can involve different analysis. Provide records of the debt and collection efforts rather than simply labeling an invoice a write-off.

13. Ask About Self-Employed Health Insurance

If you are self-employed, you may qualify for a deduction for eligible health insurance premiums for yourself and certain family members. Medical, dental, and qualifying long-term-care coverage can be relevant, with additional limits for long-term-care premiums.

Eligibility depends on factors including earned income from the business, how coverage is established, and whether you were eligible for subsidized employer coverage through your own or a spouse's employer. Marketplace premium tax credits also require coordination.

This is not necessarily an ordinary operating expense on your business's profit-and-loss statement. For a sole proprietor, it is generally a separate adjustment on the individual return. S corporation owners have additional payment and reporting requirements.

Give your accountant premium statements, coverage dates, and information about other available coverage. Do not deduct the same premium twice or assume that paying it personally prevents all tax relief.

14. Consider Retirement Contributions Before Deadlines Pass

Retirement contributions can be another important part of the conversation.

Depending on your circumstances, options may include a SEP IRA, SIMPLE IRA, or a one-participant 401(k) for an eligible owner-only business, including certain businesses employing a spouse.

Deductible contributions depend on the plan, compensation or self-employment earnings, annual limits, and other requirements. Employees may create contribution and coverage obligations. Roth contributions do not provide the same current deduction as traditional deductible contributions.

Ask your accountant which options fit, how contributions would be calculated, and which establishment, election, and funding deadlines apply. These deadlines are not all December 31, and they are not all the tax-return deadline either.

15. Look Beyond Expense Receipts for Other Tax Deductions

Some deductions associated with business ownership are calculated separately from the expenses in your books.

The point is to have the conversation early enough to make an informed decision—not to assume you can establish any plan at filing time and deduct the maximum.

The deductible part of self-employment tax. Eligible self-employed individuals generally receive an income-tax deduction for the employer-equivalent portion of self-

employment tax. This does not eliminate the self-employment tax itself and should not be entered as a second ordinary business expense.

Qualified business income deduction. Eligible owners of certain pass-through businesses may qualify for a deduction based on qualified business income. This is not a deduction for something you purchased. Income, business type, and other limitations can affect eligibility and the amount; forming an LLC does not automatically qualify you.

Ask your accountant to consider these items alongside your expense review. A complete conversation should address both your business records and the deductions that may apply on your individual return.

16. Turn the Checklist Into a Useful Conversation

The next step is to compare these categories with your bookkeeping records.

Gather what is missing. Collect receipts, invoices, account statements, and relevant logs. A payment record may show that money changed hands without establishing the business purpose.

Separate the uncertain items. Make a short list of mixed-use costs, personally paid expenses, startup costs, equipment purchases, and anything you cannot confidently classify.

Avoid double counting. A credit card purchase and the later payment of the credit card bill are not two separate expenses. Reconcile accounts and resolve duplicates.

Talk with your accountant before year-end. Ask what may be deductible, what supporting records are needed, and whether any planning decisions require action before December 31. Your accounting method and other rules can affect timing.

Keep the system going. Set aside time each month to reconcile accounts, save documents, and review uncategorized transactions. A consistent process is easier than reconstructing an entire year.

You may discover an overlooked expense. You may learn that something you expected to deduct does not qualify. Both are useful outcomes because they give you a clearer picture of your business.

Start with good records. Use this checklist to identify questions. Then check with your accountant before deciding what to claim.





This article is for educational purposes only and does not constitute legal advice or establish an attorney-client relationship.



MICHELLE BUFANO

Michelle Bufano is the founder and CEO of Michelle Bufano Business Consulting. She is an experienced and strategic risk management advisor. She uses her legal background to provide counseling and coaching to female founders.

You can contact Michelle via email at:
michelle@michellebufano.com

Follow Michelle on LinkedIn & Instagram

MICHELLE
BUFANO
Business Consulting LLC

www.michellebufano.com