



8 Small-Business Tax Deductions You Should Know By Now

by [Sarah Johnson](#) on November 2, 2012

Small-business owners new to their role are expected to ramp up quickly. They need to have strong leadership skills (even when don't come naturally), they need to think quickly on their feet, and sooner rather than later, they need to become tax experts.

Without a basic understanding of the tax code – and its myriad of tax breaks – small businesses risk leaving valuable funds in the hands of the taxman. Here are eight deductions to keep in mind year-round, so that you'll be prepared to take advantage of them when you file:

- 1. Business-related travel** – Keep a running log of mileage, parking, and tolls used when [traveling for work](#), including visits to clients and conferences. If your business has a dedicated car or fleet for deliveries, keep track of odometer readings. Be specific in your record-keeping to distinguish between business and personal trips.
- 2. Self-improvement** — You can deduct the cost of training manuals, books, and classes that help you improve your expertise. Note that [these deductions](#) apply only to maintaining your skills and not to switching careers. “If you're an engineer and you're going to medical school to become a doctor, the cost is not deductible,” notes [Steve Henley](#), national tax practice leader at CBIZ, an accounting and tax-services provider. “But if you're an engineer taking some classes to really improve your abilities and skills as an engineer — not to qualify you as an engineer — those classes would be deductible.” Fees paid toward member associations and for professional certifications can also usually be deducted.
- 3. Shelter and power** — If you work out of your home and qualify for the [home-office deduction](#), then, in addition to a percentage of your rent or mortgage interest, you can write off the cost of maintaining your work space. (This is based on the percentage of square footage your work space occupies in your home.) In other words, hold onto your water and electricity bills — and don't feel too guilty about cranking up the space heater in your garage-turned-office space.
- 4. Selling yourself** — The cost of promoting your talents as a service provider or the trustworthiness of your business is the price of doing business, and the IRS recognizes that. [The cost of advertising](#), developing a website, and designing and printing your business cards can be deducted. You may also write off travel and registration costs for promoting your company at a trade show.
- 5. Equipment** – Cell phones, computers, and other [equipment that are used solely to run your business](#) can usually be deducted.
- 6. Startup costs** — [If this is the first year of your business](#), you could deduct up to \$5,000 of your startup expenses, such as the fees paid to attorneys or accountants to get you [up and running](#).
- 7. Health insurance** — If you are self-employed, you may be able to [deduct insurance premiums](#) for you and your family.
- 8. The cost of trashing mistakes** — Businesses can take a tax deduction for the products they can't sell — if they destroy them. “In order to deduct obsolete inventory, you have to dispose of it before the end of the year,” Henley advises. Another option: Donate the goods to charity and [get a tax credit](#).

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