



## 4 Ways to Deduct Business Expenses Like a Pro

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To keep more of your business capital, make sure you take advantage of all potential tax deductions. Although there is no “one size fits all” approach when it comes to tax deductions, the following general guidelines can help you understand what you can deduct.

### 1. Make sure the expense meets deduction guidelines.

The IRS states that a business expense must be “both ordinary and necessary.” “Ordinary” means an expense that commonly occurs in your trade or business. “Necessary” means the expense must be helpful to the trade or business. Note that “necessary” does not necessarily mean “indispensable.” The IRS also states businesses can’t deduct capital or personal expenses.

As you can see, the IRS definition is fairly broad. If you incur an expense through trade or business, have proof of the expense and, if it meets the IRS definitions, generally the expense can be deducted.

**2. Be clear on entertainment expenses.** According to the IRS, 50 percent of business-related meal and entertainment expenses can generally be deducted. Many attorneys may purchase season or series tickets for business or networking purposes. To calculate your allowed deduction you must determine the cost of each individual ticket by dividing the total cost of the package by the number of games or performances. Be sure you record each time you use the tickets for business; just listing the season tickets as one deduction is not enough.

Keep in mind that just because an event involves networking does not necessarily mean it is deductible.

Although dues for professional organizations (such as bar associations) are deductible, most dues for other clubs are not. This includes sports leagues and country clubs.

**3. Know the rules for deducting gifts.** Gifts you give to your clients, excluding packaged food or beverages, are usually considered entertainment. Thus, 50 percent of their costs can be deducted. For a gift that can’t be classified as entertainment (such as a gift basket), you can deduct no more than \$25 per person a year. This deduction limit includes indirect and direct gifts, meaning that a gift given to a family member of a client is considered an indirect gift to that client. Note that items you “widely distribute” (like pens or other promotional items) do not count toward the \$25 limit.

**4. Deduct “mixed-use items” when appropriate.** When you are using items such as mobile phones and computers for both business and personal use, documentation is key to deduction. To be able to deduct these items (called “listed property” by the IRS) as business expenses, you must keep a log proving that you use them for business more than 50 percent of the time.

Tax laws are complicated, so always seek the advice of a professional. Reach out to a tax professional on an annual basis to prevent mistakes and oversights. You can also visit the IRS website to learn more about deducting business expenses.



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