



Deductible Business Expenses

A deduction from income is allowed for all **necessary and ordinary** expenses paid or incurred in carrying on a trade or business. An ordinary expense is one that is common and accepted in your field of business. A necessary expense is one that is helpful and appropriate for your business. See IRS Pubs. 463 and 334 for a more detailed explanation.

So, what, typically, are necessary and ordinary expenses?

Generally, the following items qualify for deduction:

Rent (of an office or warehouse space)	Payroll
Contract Labor	Legal and Professional Fees
Business Licenses and Fees	Bank Charges
Continuing Education	Supplies
Postage and shipping	Reference Materials/Guides
Meals with Clients, etc. (partially deductible)	Employee Benefits
Office Expenses	Inventory costs/Cost of Goods Sold
Promotional and advertising expenses	Computer software and apps
Insurance	Depreciation
Professional organization memberships	Start-Up Costs
Home Office (if used <i>exclusively and regularly</i>)	
Travel (including transportation, lodging, and meals for overnight business-related trips)	
Mileage for local business-related trips (standard rate or actual expenses; some exclusions)	
Business gifts (limited to \$25 per recipient, and their spouse, per year)	

Each expense must have a receipt that includes the date, name of the person/entity paid, and amount of the payment. In the case of meals and mileage, you must also show the name of the individual you shared the meal with and/or visited. Those individuals must be clients, prospects or business colleagues from whom you may receive referrals.

Items that are not deductible:

- Entertainment (unless 100% for the benefit of employees)
- Political Contributions
- Fines and penalties (primarily those levied by governments)

These are not all-inclusive lists by any means. Should you have a question about an expense, please contact your accountant or Summit Tax Services, LLC at the number and email below.

The information contained within this White Paper is provided for informational purposes only and is not intended to substitute for obtaining accounting, tax, or financial advice from a professional accountant.