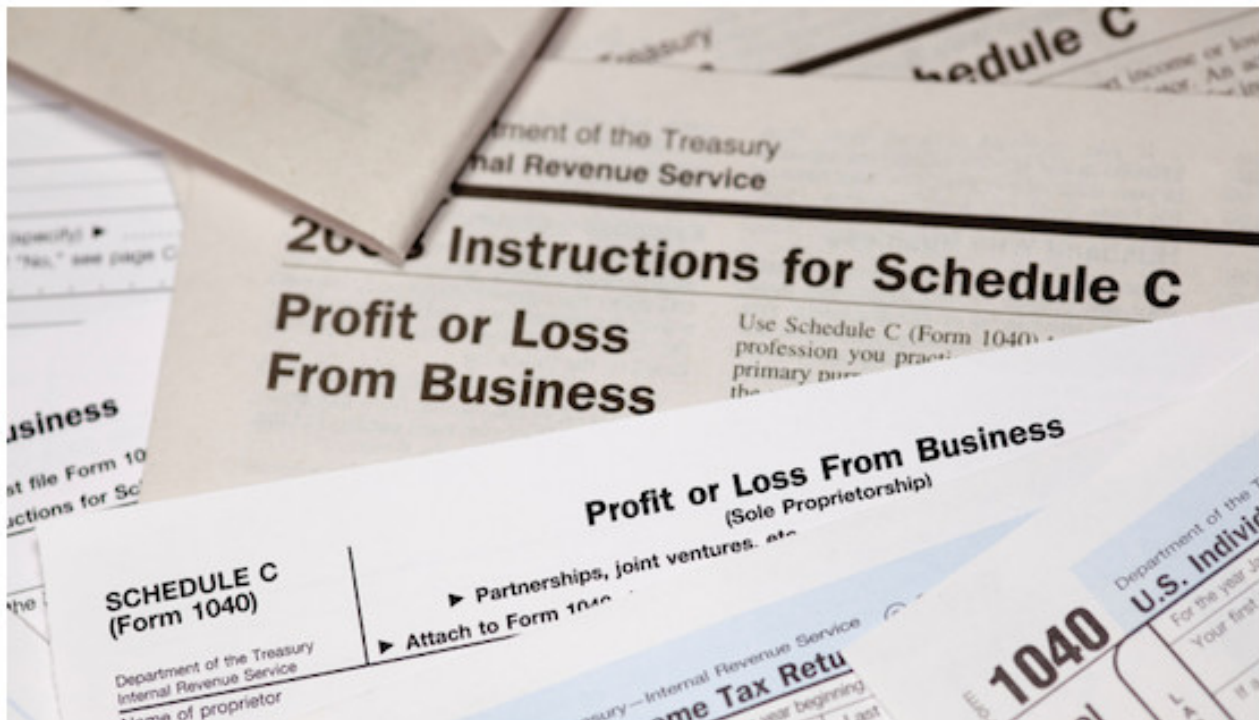


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strategy.

Isaac M. O'Bannon • Feb. 27, 2024



Whether you've been self-employed for ages or are one of many entrepreneurs to have launched a business recently, lowering your taxes is always a savvy business strategy.

Here are a dozen deduction tips, provided by the Illinois CPA Society. There may be many more to take advantage of – consult a certified public accountant before filing your returns this tax season:

- 1. Start-Up & Organizational Costs:** The costs of forming a legal business entity, like registration fees and licenses, add up. Thankfully, up to \$5,000 in qualifying start-up costs and \$5,000 in organization/incorporation costs that your business

venture paid to get up and running can be deducted. Any start-up or

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Business has commenced operations.

3. **Rent:** Rent a co-working space or storage space for your business? If the expenditures are incurred as part of your trade or business, the rental expenses are deductible.
4. **Business Travel:** The self-employed can deduct mileage costs for all business-related travel in their personal vehicle, providing a mileage log was used. Alternatively, more detailed expenses, like gas, oil, depreciation, licenses, parking, tolls, and so on, can be deducted—this is particularly important if five or more vehicles are registered to the business. Documentation of business use is key. If traveling to customers, clients, or other business-related destinations is required, the travel expenses, including the cost of meals, can also be deducted. Be cautious, as “commuting” expenses aren’t deductible.
5. **Health Care:** In the wake of the pandemic era, health care remains top of mind. If you’re ineligible to join a spouse’s subsidized health insurance plan, you can deduct any medical and dental plan premiums paid during the calendar year for yourself as an adjustment to income. And if your spouse, dependent, or child below the age of 27 aren’t covered by a subsidized health insurance plan, medical and dental insurance premiums paid on their behalf can also be deducted as part of the self-employed health insurance deduction. Beware that premiums that are deducted as an adjustment to income reduce adjusted gross income and cannot be deducted a second time as an itemized deduction.
6. **Home Offices:** Running your business from home? You may be eligible to claim a deduction for the space dedicated as a home office. To qualify for the deduction, the business use part of your home must be exclusively and regularly used for conducting your trade or business. Taxpayers have the option of 1) claiming actual expenses—which allows for a portion of the mortgage interest, real estate taxes, and utilities paid, along with depreciation, based off the business use percentage of the home office compared to the overall home; or 2) utilizing the simplified

method, which allows for a deduction of \$5 per square foot of the dedicated

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Contractor or business, note that these expenses have informational reporting requirements on Form 1099 on an annual basis.

9. **Membership Fees:** If you must join a professional organization that charges fees as part of your self-employed business, you can claim deductions for those fees.
10. **Retirement Savings:** Self-employed individuals can establish various types of retirement savings, like 401(k)s, Simplified Employer Pension (SEP) IRA, or SIMPLE IRAs, and other plans that yield tax deductions or deferrals, in some cases on up to 25 percent of income (up to \$66,000 in 2023)—and even more if age 50 or older.
11. **Qualified Business Income:** The qualified business income (QBI) deduction may be available to self-employed individuals and small business owners; however, special rules apply to certain service businesses. The deduction allows eligible taxpayers to deduct up to 20 percent of their QBI, plus 20 percent of qualified real estate investment trust dividends and qualified publicly traded partnership income.
12. **Self-Employment Taxes:** One of the most common self-employment deductions is self-employment tax. You can deduct up to 50 percent of your self-employment tax from your income taxes.

Thanks to the many tax deductions available, entrepreneurs have a lot of business income-boosting opportunities to consider. The Illinois CPA Society suggests seeking guidance, as everyone's tax situation is different, and not all tax deductions will be available to everyone. Consulting a CPA is the best way to maximize your tax deductions and get the strategic business advice you need to increase your profitability and keep your business moving forward.

Remember, for most taxpayers, the deadline to file their personal federal tax return, pay any tax owed, or request an extension to file is April 15, 2024. If a taxpayer lives in a federally declared disaster area, they also can get extra time to file. Taxpayers

requesting an extension will have until Oct. 15, 2024, to file. However, if taxes are

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