

Don't Overpay Your Taxes: 5 Can't Miss



Image credit: Shutterstock



CHRIS NEWMARKER



FEBRUARY 19, 2014

It's tax time and whether they know it or not, small-business owners might be lea

“Numerous businesses overpay their taxes every year by overlooking various tax
officer who is president of Santa Ana, Calif.-based Landmark Tax Group.

In some cases, entrepreneurs simply aren't aware of the deductions available. In
itemizing or complicated number crunching, habits that can be costly in the long

To save you headaches, money and time, we've reached out to our tax experts for professional advice as the IRS' April 15 tax filing deadline approaches.

Business-related meals and entertainment. Eric Levenhagen, tax strategist and CPA, found that costs for lunches, dinners and client-evenings out can easily run into thousands for business owners. Business owners often don't deduct the expenses because they're not business-related, and they don't save the receipts. Says Levenhagen, such events must in some portion of the meeting needs to be taken up by business talk. So feel safe deducting if a service referral came from the meeting. "It has to be something substantial or something that is for the betterment of the vehicle." As with meal and entertainment expenses, save the tax record. Remember that miles driven from home to the office and back are not deductible from home but don't claim a home office face a major disadvantage over mileage.

Crunching car expenses the hard way. Sure, a business owner can go the easy route and use the standard mileage rate, which was 56.5 cents per mile in the 2013 tax year. But in some cases, clients save hundreds of extra dollars by dividing business-related miles by total annual gasoline costs but all the actual expenses related to that vehicle, including car washes, repairs, that is for the betterment of the vehicle." As with meal and entertainment expenses, save the tax record. Remember that miles driven from home to the office and back are not deductible from home but don't claim a home office face a major disadvantage over mileage.

Choosing the tougher path on the home office. This is the first tax-filing season that the IRS allows a deduction of \$5 per square foot, with a limit of \$1,500 for 300 square feet of home office space. CPA, suspects it is potentially possible for some to squeeze out thousands of extra dollars, which involves measuring the home office's square footage, dividing it by the home's total square footage, and then applying that percentage to a host of home-related expenses from mortgage interest to utility bills. Levenhagen suggests deducting using each method, and see which one has the most savings. Here's a tip: If you're claiming a portion of home depreciation could be stuck paying a "depreciation recapture" tax when you sell the house. Also make sure the home office really is a defined area where you regularly work. Kids also play video games won't cut it.

Remembering startup costs. Rosen finds new business owners don't often realize that startup costs can be deducted over time.

can be deducted once the business starts. “They have expenses that they incur,” Rosen said. These might include a continuing education course, a lunch with a friend, a home office workhorse. Rosen says there is really no limit when it comes to how much a business starts logging sales, those expenses from can be counted as deduction and the rest amortized over 15 years. (Note: If it is a computer or other previously owned asset, its fair-market value.) The hitch is that there needs to be adequate records. AutoRec recommends keeping a logbook in the car to ensure proper documentation. Crec shows the \$600 charge at Best Buy was for a computer.

Don’t forget employee expenses. The reimbursements you provide your own employees are especially true for expenses related to work such as gas, meals, hotel accommodations. To claim such a deduction, a business needs to have an “accountable plan” in which the expenses are actually business-related. Employees must substantiate their expenses within 60 days. It is essential that business owners keep sufficient backup documentation [such as

To take even greater advantage, Levenhagen suggests business owners think in terms of strategies that work not only now, but for where the business is going to be five years from now. “Implement the best practices -- such as a system for saving receipts and recording deductible expenses,” Levenhagen says. “Project it out four to five years.”

Get Your Valuation

Do you know what your business is worth?
Discover and monitor your business value in real-time! »

SEE ALSO

2015 INCOME TAX RULES

OVERLAP

NEW TAX DEDUCTIONS

SMALL

HOME BUSINESS TAX SAVINGS

BUSINESS

LATEST

Entrepreneur Network

The Simpler the Better for Big Ideas

Evan Carmichael says that one word can express your idea more powerfully than any complicated sentence.

ENTREPRENEUR NETWORK

Fear

The Only Thing Not to Fear Is Success Itself

But so many entrepreneurs have this deep-seated fear. Here are seven ways to overcome it and its associated with it.



MARTIN ZWILLING

News and Trends

'Pharma Bro' Martin Shkreli Steps Down as CEO of Turing Pharmaceuticals

The poster boy for prescription drug price increases was arrested on securities fraud charges that could result in a prison sentence.

REUTERS

Productivity

The 10 Types of Superheroes in Every Office. Which One Are You?

You? (Infographic)

Do you recognize yourself among any of these masked work-crushing avengers?



LAURA ENTIS

Virtual Teams

4 Rules to Avoid the Game of Telephone When Leading Virtual Team

The worst thing about working in a virtual environment is having your original message get completely misconstrued through ineffective communication channels.



JEFF BOSS

Great Achievements

Great achievements

10 Incredible Nonprofits and the Women Behind Them

From Girls Who Code to Women for Women International, women-led organizations are making better.



ELIZABETH CHUNG

How to

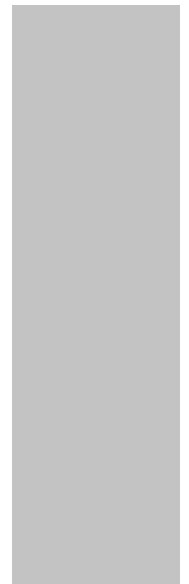


Success Strategies

7 Mental Shifts That Allowed Me to Become a Millionaire at 22

The secret to success in the business world is a combination of grit and creative thinking.

TUCKER HUGHES




Productivity

Tired of Meetings? Here's How to Make More of Your Time (Infographic)

Agenda Item
meetings so
control your

KIM LACHANCE



Starting a Bus

Need Idea?

You can start a
based business
\$5,000.

ENTREPRENEUR
KIMBALL

Lists

Wealth

10 Questions Every Millionaire Should Ask

While most answers, re
Questions \
the right an

DANIEL ALLY

Venture Capital

Why the VC Game Is Attracting a Whole New Set of Players

Corporations, cities and special groups have jumped into equity financing.

MICHELLE GOODMAN

Working From

20 Re Your Work

Forget the
thrives whe
leave their

CYNTHIA JOH