



America Counts on CPAs

Money Management

The Money Management columns are a joint effort of the AICPA and the Indiana CPA Society, as part of the profession's nationwide 360 Degrees of Financial Literacy program.

FOR IMMEDIATE RELEASE: September 2010

Top Deductions for Small Businesses

There are nearly 30 million small businesses in the United States, according to the U.S. Small Business Administration. If you own one of these dynamic companies or are hoping to start one, you are surely aware that running your own show can be an exhilarating and challenging experience. Among the many challenges you face will be figuring out which deductions you qualify for when tax time comes around. The Indiana CPA Society offers these tips on dealing with deductions.

Get a Grip

You can't deduct legitimate expenses if you don't have an accurate sense of what they are, so be sure to keep complete and up-to-date records throughout the year. Remember, too, to retain and organize all receipts for the business purchases you have made so that you have thorough documentation for your deductions. If your records aren't in great shape, this is a good time to get them in order. Your CPA can offer advice on setting up a proper record keeping system.

All about Start-Ups

If you're a new business owner, there are specific rules on how you can deduct expenses depending on when your purchases are made. Costs paid for before your business began operations are considered a capital expense. You can deduct up to \$5,000 of these purchases your first year in business, but anything above that amount must be amortized — or paid off in equal amounts— over the next 15 years. Expenses you incur once your business is up and running can be deducted in the year you pay them.

New Equipment — Deduct Now or Later?

In most cases, businesses cannot immediately deduct the cost of equipment that they plan to use over the long term. Instead, they must deduct a portion of the equipment cost over several years. However, sole proprietors and some other smaller businesses can generally deduct certain equipment costs immediately in the year in which they're made. Stimulus legislation in recent years has increased the amount of the deduction you're allowed to take in this situation. Under the HIRE Act of 2010, for example, a business that qualifies can deduct up to \$250,000 of qualifying property this year. The deductible amount will be reduced if the cost of the new property placed in service this year is more than \$800,000. Consult your CPA for more details about how these rules apply to your business.

Taxing Questions

Which taxes are you allowed to deduct on your tax return? Most sales taxes on business purchases are immediately deductible as part of the purchase price. However, taxes on a large asset, such as an auto or equipment, may not be fully deductible in the year the purchase is made. On the other hand, you can deduct excise, fuel and employment taxes in the year you pay them, as well as state, local and real estate taxes. What about your own self-employment taxes? These should be addressed on your own individual tax return. Having trouble keeping track of what's deductible when? Your CPA can help you untangle your tax questions and understand which ones you qualify to deduct.

Turn To Your Local CPA

Small business is a critical component of the economy, representing 99.7 percent of the employers in the country. If you are a small business owner or dream of starting your own company, remember that your local CPA can offer valuable advice on all aspects of your operations. Consult him or her about all your business questions.

Need to find a CPA? The Indiana CPA Society's Find a CPA service can help you find one in your area! Visit incpas.org/findacpa.

###

Produced in cooperation with the AICPA