

Steven J Roy Management Cambyses Capital

Table of Potential Business Tax Deductions

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Revised: 07/2019

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The following list is neither comprehensive nor determinative. Items that do not appear on this list may be deductible. An item that appears on this list may not be deductible if it does not meet specific criteria unique to your business or profession.

- The right to a tax deduction is determined by legislative grace. This list includes items that are generally considered deductible from business gross income in a wide range of businesses and professions. However, to claim any business deduction, you must be engaged in the business or profession (meet all the ordinary entry requirements for the business and participate on a regular and recurrent basis) for profit (a question of motivation and professional conduct). The expense itself must be ordinary and necessary within the profession and reasonable in amount. Consult your tax advisor whenever you are unsure.
- Unless you elect otherwise, expenditures that create long-lived assets may not be deducted (with some exceptions). These costs must be capitalized and amortized or depreciated over a period related to their life expectancy. (See also; our discussion under repairs and maintenance)
- Stock-in-trade and inventory sold in the ordinary course of business is subject to detailed tax accounting rules. These rules are not covered below. N.B. For investment advisors, developers, and realtors: It is possible you are “carrying inventory” under some conditions, and “investing” in other properties at the same time. This creates income and expense timing issues that require professional assistance.
- Unless the Internal Revenue Code provides an exception, personal expenses (even when well disguised) are not deductible from business gross income. You may be permitted to “Itemize” some personal expenses that Congress has deemed allowable.

For tax years beginning 01/01/2018 or after, Employees may no longer deduct the expenses noted in this table under the “Employee Business Expense” (EBE) rules. The Tax Cuts and Jobs Act of 2017 (TCJA) repealed the EBE deduction. Thus, business expenses are only deductible by sole proprietors, owners of rental property, partnerships (including LLCs), corporations and some trusts.

TCJA also changed the rules for some of the remaining business deductions. These changes are noted in **RED, below.**

Expenditures that are both business and personal be must pro-rated between the activities. Some mixed-use expenses are expressly non-deductible (e.g. your first home phone line). Mixed-use expenses face detailed record keeping and documentation requirements.

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IRS Circular 230 Disclosure

In order to comply with requirements imposed by the Internal Revenue Service, we inform you that any U.S. tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Reliance on Personal Professional Counsel

The information contained in this publication has been gathered from sources that are believed to be reliable but is not guaranteed as to completeness, currency, or accuracy.

Nothing contained in this publication should be construed as the giving of business, legal or tax advice or the making of a recommendation. It should not be relied on as the basis for any decision or action. The information contained in this document is general in nature and may not apply to the specifics of your situation or transaction. You must rely only on the advice of your own qualified tax and/or legal counsel to advise you on your specific situation or transaction.

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Accounting Fees	Bookkeeping, accounting and tax preparation fees related to business activities. Tax preparation fees related to your business are deductible if separately stated or readily determinable.	Personal financial/estate planning, budgeting, and record keeping fees are not deductible as either business expense or itemized deductions.
Advertising	<p>Fees for producing and placing advertisements for your products and services: ad agency, artwork, campaign planning, copy writing, distribution, graphics, setup, reproduction, and placement/media fees (including cooperative advertising).</p> <p>Fees for producing and placing institutional advertisement or for public relations services.</p> <p>Cost of promotional items bearing the company name, logo, or a company product name or logo.</p>	Advertising placed in charitable institutions' publications is generally better treated as advertising, not as a charitable contribution.
Amortization	<p>A number of items must be capitalized and amortized rather than expensed. The most common:</p> <ul style="list-style-type: none"> ▪ Purchased Goodwill ▪ Lease Acquisition Costs ▪ Organizational Expense ▪ Pollution Control Facilities ▪ Research and Experimental Costs ▪ Startup Expenses 	<p>Rules for these items can be complex: When does a business start? What is the difference between Organization and Syndication Expense? What is research? You may elect out of the amortization regime for de-minimis items (in some cases).</p> <p>If you incur any of these costs, seek professional advice.</p>
Answering Services	See: Telephone & Telecommunications	

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Association Fees, CAM & Overage	<p>Association, Common Area Maintenance (CAM), and percentage overage rents paid as part of the rent or lease of space used for business purposes.</p> <p>If your business owns the space (e.g. an office condominium), Association and CAM fees, mortgage interest, and depreciation of the structure and systems.</p>	<p>Be very cautious about claiming deductions on mixed-use space (personal and business) and office in home.</p> <p>See: Office in Home</p>
Automobile Expenses	<p>Option 1: Prorated portion of the actual expenses incurred for: Gas, Insurance, Lease or Depreciation, Registration, and Repairs/Maintenance. Plus</p> <p>All business related parking and tolls</p> <p>Option 2: Use the standard mileage rate for business miles published by the IRS each year, plus</p> <p>All business related parking and tolls</p> <p>The non-business portion of registration taxes may be itemized as a tax on personal property, subject to new limits imposed by TCJA.</p> <p>We treat Rental cars and operating expenses incurred while traveling under Travel.</p>	<p>Required for either option: A contemporaneous record of business miles that includes, date, origin, destination, and purpose of the trip, beginning and ending odometer readings and miles traveled.</p> <p>Reduced standard mileage rates apply to miles driven on behalf of charitable institutions or when seeking medical care. You must itemize deductions to claim these deductions. Commute mileage, with rare exceptions, is not deductible.</p> <p>Limit: Depreciation deductions are limited. A portion of the lease amount may have to be included in income. You cannot switch back and forth between the methods for the same vehicle in different years.</p> <p>TCJA introduced (bizarre) new wrinkles regarding employee parking permits, van pool expenses and other employee transportation fringes/programs. We treat these under Employee Fringe Benefits Below. These wrinkles are especially bizarre if you are a Not-For-Profit 501(c) company. (Churches, Beware!)</p>

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Awards (Recognition and Performance)	<p>Cost of producing trophies, plaques, certificates, and other awards that recognize job performance. Includes design, fabrication, mailing and presentation expenses.</p> <p>Cash awards are always treated as compensation and are subject to withholding.</p>	<p>High-cost items, e.g. Rolex watches or vacation expenses, do not qualify as Awards. These items are considered compensatory – and are subject to the payroll withholding rules.</p> <p>TCJA imposes limits on the maximum award amount, and what kinds of recognition award qualify. You may need tax counsel to navigate these waters.</p>
Bank Charges	<p>Account maintenance, late, wire transfer, money order or certified check, safe deposit, and credit check fees paid on business related accounts or transactions.</p>	<p>While occasional late fees are deductible, IRS may disallow them if they appear to have been incurred solely for the sake of deduction. (IRS views such expenses as neither ordinary, nor necessary, nor reasonable. Incurring them doesn't make economic sense either.)</p>
Books	<p>Books that are directly related to your business activity or to a specific project (e.g. Medical texts if you are a doctor, Stanislavsky if you are an actor.)</p> <p>Books related general business principles (accounting, planning, organization theory, production theory or management) are usually deductible.</p> <p>General works if they improve the prospects of business success (e.g. public speaking, self-confidence if your business requires a good deal of interaction with the public)</p>	<p>Bulk/library purchases or expensive volumes that have enduring value may need to be capitalized and depreciated. TCJA changes the rules for Capitalization, Depreciation, and expense elections.</p> <p>If you are unsure whether the book is business related, document your reading and learning by keeping a journal. (All those book reports you wrote in high school may pay off.) Make specific notes that relate the reading to your business activity.</p>
Bookkeeping Fees	<p>See: Accounting Fees</p>	

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Bribes & Accommodation Payments	<p>The Code forbids both making and deducting bribes.</p> <p>A bribe is any payment rendered to a person in authority with the intent of influencing that person's exercise of that authority. (Yes, it is both vague and broad!)</p>	<p>There is often a fine line between bribes or kickbacks (both illegal and non-deductible) and accommodation payments (e.g. finder's fees and commissions). This is particularly true in international transactions. When in doubt, seek appropriate legal counsel.</p>
Budgeting	<p>Fees paid to business analysts, planners, or budget monitors.</p>	<p>Exploratory analysis undertaken prior to opening a business may need to be capitalized and/or amortized as organizational or startup expense.</p>
Business and Marketing Plans	<p>Business plan drafting, competition analysis, market analysis, marketing plans, and monitor/review services.</p>	<p>Exploratory analysis undertaken prior to opening a business may need to be capitalized and/or amortized as organizational or startup expense.</p>
Catastrophe & Theft Losses	<p>Proven <u>business</u> losses due to natural events (earthquake, flood, fire, hurricane, tornado, etc.).</p> <p>Proven <u>business</u> losses due to embezzlement, defalcation, fraud, or employee dishonesty.</p> <p>N.B. Shoplifting and inventory shrinkage are reflected in the Cost of Goods (COGS) calculation, rather than as theft losses.</p>	<p>Catastrophes are generally events that occur suddenly. Gradual damage (e.g. termites) is generally treated as maintenance and repair expense.</p> <p>Insurance settlements reduce the amount of catastrophe and theft claims that may be deducted.</p> <p>It is unclear whether failure to prosecute denies your right to deduct theft or defalcation losses.</p> <p>Personal (non-business) assets compromised by catastrophe or theft must be taken as itemized deductions (subject to a \$100 + 10% deductible). TCJA changes this Code provision – including limiting the catastrophes and losses that qualify. We do not cover these changes here. TCJA's changes do not affect business losses.</p>

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Cell Phones	See: Telephone	
Classes & Continuing Education	<p>Tuition, books, supplies, and incidentals (e.g. lab fees and materials)</p> <p>Deductible as a <u>business expense</u> only if it maintains or enhances exiting skills or is required for continuing licensure. (Education undertaken preparatory to entering a new profession is not a business deduction – but see the box to the right for other options.)</p>	<p>Lifetime learning and hope credits, and deductions for AGI create a broad range of opportunities and pitfalls around educational expenses. Be sure to analyze all of the potential combinations before filing returns. (Most tax software now incorporates an optimization calculation.)</p> <p>TCJA does not change the (exempt) treatment of employer-provided education assistance. It makes only minor changes to Education Credit provisions. It does change rules for 529 Plans, but we do not cover those changes here.</p>
Cleaning & Janitorial	Fees paid for janitorial and cleaning services, supplies and disposal fees	<p>Fees paid to individuals (as opposed to companies like Merry Maids) require payroll withholding and reporting.</p> <p>Fees paid for janitorial and cleaning of personal living space are not deductible, but still require withholding.</p>

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Commissions	<p>Sales commissions and finder’s fees paid to e.g. agents, sales organizations, or sales people for services they provide. Property management fees.</p> <p>Transactional commissions (e.g. to agents for sale of property) may be deductible as “expense of sale” rather than ordinary & necessary business expense.</p>	<p>Fees paid to individuals may require payroll withholding and reporting. Statutory Independent Contractors (E.g. Realtors) may be exempt from withholding.</p> <p>Document any services rendered in return for finder’s fees. The Service sometimes examines these as bribes or kickbacks.</p> <p>TCJA’s new “199A” deduction makes it beneficial to reclassify some “Independent Contractors” (including commissioned workers) as employees in some cases. The mechanics of this decision are well beyond this discussion!</p>
Conferences	<p>Conference attendance fees for professional conferences related to your business activity or that support administrative aspects of your activity.</p> <p>Travel, meals, lodging, local transportation, and incidentals incurred to get to the conference (subject to the general rules for travel expenses below)</p>	<p>If the conference is “incidental to personal travel” you are required to pro-rate travel expenses based on the number of business days relative to total days of travel.</p> <p>Foreign conferences will be examined closely, as will spousal expenses if your spouse is not directly involved in your business conversations when you travel.</p> <p>TCJA eliminates (repeals) the deduction for Entertainment expense – even when incurred during conferences. We treat this under “Entertainment,” below.</p>

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Contractor & Subcontractor Services	<p>Payments to independent contractors, contractors, subcontractors, and sub-assembly providers or installers.</p> <p>When in doubt – review IRS form SS-8 and consult your tax advisor. IRS now makes advance rulings on Employee – Independent Contractor classification.</p>	<p>If the contractor provides only labor or intellectual services and is an unincorporated “one person band” consider whether they are an employee or a true independent contractor.</p> <p>The key elements include the contractor’s use of capital (equipment), labor (other than their own), and materials that you do not provide (“risk of loss” factors) and the degree to which the contractor can determine their own methods and hours (“dominion and control” factors)</p> <p>TCJA’s new “199A” deduction makes it beneficial to reclassify some “Independent Contractors” (including commissioned workers) as employees in some cases. The mechanics of this decision are well beyond this discussion!</p>

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Contributions	<p>Contributions of cash, goods, or capital assets to - organizations that appear in the IRS’s Cumulative List of Exempt Organizations. (Large contributions in kind – goods and capital assets require an appraisal)</p> <p>If you receive a benefit or service (quid pro quo) from the organization – consider whether the contribution is more appropriately reported as a purchase from the not-for-profit.</p> <p><i>TCJA alters the economics, though not the mechanics, of charitable giving. That discussion is beyond the scope of this document.</i></p>	<p>Code provisions limit the amount you (or your business may deduct. Individuals must itemize charitable deductions – they are not deductible on your business return.</p> <p>Charitable Contributions may not be claimed based on the value of your pro-bono services.</p> <p>Capital assets create some donation opportunities. It is important to distinguish donations of stock in trade from donated capital assets. Seek qualified advice.</p> <p>Political contributions are non-deductible. Reimbursing employees’ political contributions is prohibited in all cases.</p>
Copyright, Patent & Trademark	<p>Registration fees, legal fees, patent and trademark search, defense or initiation of infringement suits.</p>	<p>Some copyright, patent, and trademark expenses create (or defend rights to) long-lived assets. These items require capitalization and amortization-depreciation. But, see “Amortization,” above.</p>
Credit Card Payments	<p>Of and by themselves, credit card payments are not deductible.</p> <p>Individual transactions recorded on credit card statements are deductible if the purchase can be rationalized on a business basis.</p>	<p>Credit card interest may be prorated based on business and non-business use of the card. Detailed record keeping requirements apply. It is always preferable to reserve one or more cards exclusively for business use, thus avoiding record keeping and apportionment issues.</p>
Credit Card Processing & Service Charges	<p>Monthly charges, per transaction charges, interchange surcharges, discounts paid, and machine rental.</p>	

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Data Services	Internet access, web hosting, demographic data, payroll processing, specialized databases (e.g. MLS access and ad placement, medical database systems, or tax-legal database access), and lead generation services	It is difficult to distinguish some business data services (e.g. home internet access) from personal expenditures. When in doubt, keep written records of your use of the service for business and personal purposes.
Delivery	FedEx, DHL, UPS, USPS, and similar national and international carriers, local messenger services See Also: Freight	
Demo Items	Cost of preparing demonstration items: videotapes, recordings, and all production costs associated with them. Construction and transportation of trade show sets/booths See Also: Advertising	Trade show sets/booths may have to be capitalized and amortized/depreciated over their useful lives. (See “Depreciation,” below). There is sometimes a fine distinction between demo items and stock in trade (e.g. Music demo tapes and CDs that are both distributed to agents and sold at concert/performance venues.)
Depletion	Allowances based on either cost of mineral and mining rights (cost depletion) or a “cost per unit extracted” calculation (standard depletion).	For all but the simplest situations, you will need <u>qualified</u> professional tax assistance! This is a complex area best left to specialists (Except in simple cases, e.g. working interests, we are not qualified to advise you in this area).

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Deposits and Prepayments	<p>Deposits and Prepayments you receive (e.g. Rent Deposits, Retainers, Expense Advances) are usually includible in income when you receive them.</p> <p>Repayment of a Deposit or Prepayment you received is deductible, if it was included in income when received.</p> <p>Long term Deposits and Prepayments that you pay (e.g. Rent and utility deposits, Insurance premiums, Retainers) must usually be capitalized and deducted when vendor or lessor services are rendered.</p> <p>Rebate of a Deposit or Refund you paid is excludable from taxable income if it was not deducted when you made it. (Technically, it reduces the balance sheet asset account “Deposits and Prepayments”)</p>	<p>The “constructive receipt” and “claim of right” doctrines conspire to make most cash receipts for future services includible in income when you receive them. There are limited exceptions.</p> <p>For many tax purposes, the “matching principle” is not applied to pre-payments you receive – even if you report income and expenses on an accrual basis.</p>

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Depreciation	<p>Allowances based on cost of acquisition, delivery, and installation of equipment used in your business. The allowance is based on the type of equipment, its use in the business, its life expectancy and the depreciation options you choose.</p> <p>IRC §179 permits small entities and sole proprietorships to expense a limited amount of otherwise capitalize-able equipment costs.</p> <p>TCJA changes the “Bonus Depreciation” provisions that permit you to write off the entire cost of long-lived assets in the year you purchase them. It extends Bonus Depreciation to Film Negative Costs and alters its application (and repeals the predecessor provisions for Film Negatives)</p> <p>You may need professional assistance to determine the applicability and advisability of your depreciation and write-off options. The elections you make affect both your immediate and future tax obligations – and may affect your business economics as well.</p>	<p>Opportunities and pitfalls abound here! For all but the simplest situations, you will need professional tax and business planning assistance.</p> <p>Leases that meet certain criteria (Capital Leases) are treated as if you purchased the underlying asset. The cost of the leased asset is capitalized and depreciated (or expensed) based on elections you make.</p> <p>Choose a capitalization policy that is appropriate to the size of your operation and follow it consistently. Specify a reasonable threshold above which long lived items will (presumptively) be capitalized and depreciated.</p> <p>“Repairs and Maintenance” that significantly extends the life of assets or add significant functionality may require capitalization and depreciation. (See Repairs and Maintenance)</p>

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Distributions to partners, quasi-partners, co-authors & similar relations	<p>“Guaranteed distributions” (commissions, participations in gross income, or interest on capital - arrangements under which compensation is readily determinable without reference to risk-of-loss in the business) are deductible by some pass through entities.</p> <p>Distributive shares of net income are not.</p> <p>Distributions from a sole proprietorship to its owner are not deductible.</p>	<p>“Informal partnership agreements” (e.g. those often associated with group efforts to produce a film or play) often create nightmarish tax consequences.</p> <p>If you are a partnership, LLC, LP, or corporation – act like one. Create a formal partnership or operating agreement that delineates the rights of all the participants and carefully specifies what their income will be and how it will be characterized.</p> <p>(Sorry – this is one of Steven’s Soap Box Issues)</p>
Disaster Recovery Planning	<p>The cost to develop a disaster recovery plan for your business. The cost to maintain off-site facilities and redundant recovery systems.</p>	
Dividends (Non-Deductible Corporate Distributions)	<p>Distributions to shareholders and officers from C-Corporations and S-Corporations that were once C-Corporations.</p> <p>The rubric includes “Loans to Shareholders” and often encompasses “Independent Contractor” payments as well. What you call the payment doesn’t bind or inhibit the IRS! (They’ve seen this one before!)</p> <p>This can be complex – and is an expensive issue if you get it wrong. Consult qualified tax representation before you head down this path.</p>	<p>The Code explicitly assumes that any non-salary distribution to a corporate shareholder is a dividend. Dividends are non-deductible by the corporation but are taxable to the shareholder. The result is the oft-maligned “double tax” on corporate income.</p> <p>Corporate officers are – by definition – employees of the corporation, not independent contractors. If they are shareholders, as well, the Service picks the payment characterization (independent contractor, wage/salary or dividend) that suits their mood. The result is never pretty. (Oh dear, Steven’s back on his soap box!)</p>

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Dues & Subscriptions	Dues for professional organizations (e.g. NAR, AMA, NAMB), unions, rights organizations (e.g. ASCAP, BMI)	<p>Some professional organizations (the National Association of Realtors is a prime example) maintain active lobbying efforts.</p> <p>If the organization’s lobbying is not done through a separate entity (e.g. a PAC such as NAR-PAC) you must reduce your professional dues deduction to reflect the lobbying. Most organizations subject to this rule provide a breakdown for you.</p>

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<p>Employee Benefits and Fringes</p>	<p>Premiums for <u>employee</u> group health insurance, group long term care insurance, group legal plans, group medical reimbursement plans, limited amounts of group life insurance, and a long list of less common items.</p> <p>Sole proprietors, partners, and >2% stakeholders in corporations include their benefits in compensation (as applicable) and deduct their medical insurance premiums as “Adjustments to Gross Income.”</p> <p>The Patient Protection and Affordable Care Act (ObamaCare) of 2010 alters nearly everything you know about benefits and creates both hazards and opportunities. The current administration and Congress have undertaken a systematic campaign to overturn many of the provisions of PPACA.</p> <p>TCJA made wholesale changes to “de-minimis” fringe benefit” rules – e.g. transportation, moving, and parking. Those changes often require you to reflect the benefit in employee compensation or forgo a deduction.</p> <p>TCJA’s de-minimis fringe rules may have bizarre impacts, especially for not-for-profit entities (churches in particular). Unless you have qualified on-site advisors, you will need professional help.</p>	<p>Notice the repeated use of the words “employee” and “group” – there is a message here!</p> <p>This arena requires <u>qualified</u> professional tax assistance! This is a complex area best left to specialists and sophisticated practitioners. (We are qualified to advise you in this area).</p> <p>Many employee benefit plans require written statements that contain a number of disclosures and detail the plan options. (The requirements differ depending on the type of benefit.)</p> <p>Some benefit plans are subject to non-discrimination requirements, others are not. (“Discrimination,” refers to the benefit’s uniform availability to the majority of employees, regardless of their income level or “importance to the company.”) IRC §125 may provide limited relief from non-discrimination rules for plans that want to offer a wide range of options.</p> <p>Reimbursement plans, to the extent they are allowed at all, must follow “Accountable Plan” rules.</p> <p>This arena of tax administration is currently in flux (more like a rolling boil). Stay tuned for more developments.</p>

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Entertainment	TCJA eliminates (repeals) the deduction for Entertainment. It retains the deduction for Business Meals. “Entertainment” includes the cost of tickets or of maintaining a facility or membership.	Entertainment is distinct from business meals: Meals must occur in a substantial business context (i.e. entertainment and meals must be incidental to a business meeting or conversation) AND you or a company representative must be present. See: Meals, below.
Equipment, Furnishings, Fixtures, Decorations, Buildings & Structures	<p>The cost of long lived Equipment, Furnishings, Fixtures, Decorations, Buildings & Structures is capitalized and depreciated over an appropriate period unless you elect otherwise. See Depreciation, Above.</p> <p>The IRS published an extensive set of capitalization and “repair/maintenance” regulations that affect how you treat many items. Those Regulations create both hazards and opportunities. Unless you have qualified on-site advisors, you will need professional help.</p>	<p>IRC §179 permits small entities and sole proprietorships to expense a limited amount of otherwise capitalize-able equipment costs.</p> <p>TCJA changes the “Bonus Depreciation” provisions that permit you to write off the entire cost of long-lived assets in the year you purchase them. It extends Bonus Depreciation to Film Negative Costs and alters its application (and repeals the predecessor provisions for Film Negatives)</p>
Estate & Succession Planning	That portion of estate planning expenses that is directly related to your business if it is separately stated in invoices prepared by attorneys, accountants, and appraisers. Fees incurred for business succession planning are deductible business expenses.	TCJA eliminates (repeals) the itemized deduction for the portion of estate planning fees that is related to your personal portfolio and situation.
Fax, Telex & Teletype	Cost of maintaining lines and leasing equipment. Per copy or per page fees paid when using outside providers. Subscription fees for on-line fax services.	Equipment Purchases Capital Leases must be capitalized and depreciated under the rules above. See Depreciation.
Filing Fees	Fees paid to government agencies to file documents, reports, and compliance information in connection with your business.	<p>See: Penalties below for exceptions.</p> <p>State law may restrict this deduction on state returns.</p>

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Financial Planning Fees	That portion of financial planning expense that is directly related to your business and separately stated in invoices prepared by attorneys, accountants, financial advisors, and appraisers.	TCJA eliminates (repeals) the itemized deduction for the portion of financial planning fees that is related to your personal portfolio.
Freight	Freight charges paid in connection with delivery or shipping of consumables used in your business or inventory you sell.	Freight charges for delivery of Equipment, Furnishings, Fixtures, Decorations, Buildings & Structures must be capitalized and depreciated. Freight charges for delivery of inventory you later resell is capitalized under detailed inventory accounting rules. See Inventory, Below.
Gifts	Gifts given to business associates or to individuals for the purpose of generating business goodwill are deductible up to a fixed limit per donee per year (currently \$25).	Personal gifts that exceed the fixed threshold and do not qualify for one of several exemptions require you to file a Gift Tax Return Form 706. Current limit is \$14,000 per donee per year. Personal gifts made from corporate assets may be subject to one or more of three different taxes: Corporate Income Tax, Personal Income Tax on dividends, and Gift Tax.
Goodwill	“Purchased Goodwill” may be amortizable. Goodwill that accrues from your own efforts to promote the business is not deductible.	If you acquire a business the purchase agreement should specify an allocation between the identifiable physical and intellectual assets the business owns. Goodwill is the difference between the purchase price and the value allocated to those identifiable assets.

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Gym Membership & Physical Training	Except in rare cases (Stunt Performers, Professional Athletes, and Performers who require training for a specific role) Gym Membership & Physical Training are not deductible – even if your “image” depends on your appearance.	Gym Membership & Physical Training fees paid on behalf of your employees may be deductible as additional compensation under fringe benefit rules – subject to withholding and payroll tax rules.
Hair & Makeup	<p>Non-deductible if suited for everyday wear - even if your “image” depends on your appearance.</p> <p>Theatrical makeup, hair treatments, etc. for Performers engaged for a specific engagement that requires their use or treatment.</p> <p>Theatrical and everyday makeup and supplies purchased for resale to and consumption by others (e.g. purchases by professional makeup artists, hair dressers, cosmetics stores, etc.), subject to inventory accounting rules.</p>	<p>Performers often maintain that they are “on-stage all the time,” and thereby entitled to deduct personal expenditures that ordinary mortals would not be allowed to deduct.</p> <p>The IRS takes a dim view and a very hard line on this topic.</p>

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Home Office or Home Workspace	<p>A pro-rata portion of all expenses incurred to maintain your dwelling - Rent, utilities, insurance, maintenance, mortgage interest, property taxes, depreciation, etc. Plus; 100% of expenses that benefit only your home workspace.</p> <p>Or</p> <p>Simplified Option: A deduction of \$5.00/square foot/year is allowed without detailed record keeping. In addition to all of the other home office requirements and limitations, this simplified approach is</p> <ol style="list-style-type: none"> 1. Limited to no more than 300 square feet, and 2. Precludes any depreciation, mortgage interest, property tax, or operational expense claim. <p>In most cases the simplified option is not advantageous compared to the pro-ration method.</p> <p>TCJA eliminated (repealed) this deduction for Itemized Employee Business Expenses.</p>	<p>Pro-ration can be based on either the relative amount of space used for business or the relative number of rooms devoted to the business.</p> <p>The WorkSpace must be used exclusively for business on a regular and recurrent basis. (Exclusive use is usually the Service’s first line of attack on this deduction. Take photographs to document exclusive use)</p> <p>If you have an office available elsewhere, expect the IRS to attack the bona-fides of your home office. (This subject is currently in flux.)</p> <p>Depreciation claimed on structures you own is “recaptured” when the structure is sold. Until recently, the gain from sale of mixed-use property had to be segregated into portions that qualified for the residential exclusion and portions that did not (this is still required in some, but not all, cases). The “recapture” of deductions may make it more profitable to forgo the home office deduction on property you own. There is no similar down-side for property you rent.</p>
Insurance	<p>General liability, property, casualty, umbrella policies, worker’s compensation, errors and omissions, directors and officers and other common forms of business risk mitigation-limitation insurance that cover business assets or activities.</p>	<p>Health, dental, life insurance and other policies that secure employees (especially officers and directors) are subject to rules discussed above – Employee Benefits.</p>

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Interest & Finance Charges	<p>Interest (including late fees) incurred on business indebtedness (loans, liens, mortgages) and credit cards used exclusively for business purposes.</p> <p><i>TCJA imposes limits (based on business net income) for interest charges incurred by some entities and operations. Carry forward elections may be available with respect to the disallowed deductions. Those rules do not apply to real property investments.</i></p> <p>You may need professional assistance to compute this limitation and account for the carry forward.</p>	<p>A pro-rata portion of interest/finance charges on indebtedness and credit cards used for business and personal purposes may be deductible if appropriate records are kept.</p> <p>Home mortgage interest may be deductible in connection with a home office or workspace – see Home Office for more discussion.</p>
Internet Services	See Data Services, Above	

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Inventory Held For Sale	<p>Cost of Inventory actually sold. Formally,</p> <ul style="list-style-type: none"> • Opening Inventory, plus • Inventory purchased or manufactured, and • Overhead allocated to inventory, less • Ending Inventory <p>Dealers in some types of property that are normally considered capital assets (e.g. real estate, aircraft, machinery) must account for sales under an inventory method and recognize ordinary income (not capital gain) on sale of that inventory. (Talk to your tax advisor if you make regular sales of such items.)</p> <p>The IRS published an extensive set of capitalization, inventory, and “repair/maintenance” regulations that affect how you treat many items. Those Regulations create both hazards and opportunities. Just to make it more interesting (and complicated) TCJA, subsequent rulings, and follow-up legislation grants some relief from the earlier adopted rules. Unless you have qualified on-site advisors, you will need professional help.</p>	<p>If inventory (manufactured, purchased for resale, or extracted) plays a significant role in your business, you must determine cost of sales under convoluted rules (IRC §263A and Regulations). This requires you to acknowledge (and capitalize) overhead, storage costs, inventory carrying costs, and a host of other items when valuing opening and closing inventory.</p> <p>There are a number of options to choose from when valuing inventory, among them LIFO, FIFO, specific identification, weighted average, moving average, and standard costing.</p> <p>Needless to say, inventory tax accounting is not for the faint of heart. This is another arena that requires <u>qualified</u> professional tax assistance! This is a complex area best left to specialists. (We are qualified to advise you in fairly straightforward sales and manufacturing scenarios)</p>

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Job and Client Search Expenses	<p>Resume and supporting material preparation, typing, typesetting, printing and distribution.</p> <p>Transportation to and from presentations (lodging and meals at the presentation site if overnight accommodation is required).</p> <p>TCJA eliminated (repealed) this Itemized Employee Business Expense deduction.</p>	<p>If you are the interviewer, not the interviewee and you reimburse potential employees' travel and accommodation expenses, these expenses are still directly deductible.</p> <p>TCJA does not affect Client Acquisition expenses.</p>
Laundry & Cleaning	<p>Laundrying and cleaning of uniforms, costumes, and supplies (towels, bedding) used for business purposes.</p>	<p>Laundrying or cleaning of items that do not qualify for deduction (see Wardrobe, Below) is not deductible.</p>
Leasehold Improvements	<p>Construction costs for tenant improvements are amortized over the life of the lease (including options) or the depreciable life of the asset. Only the party who pays for the improvement can amortize it.</p> <p>The unamortized balance of tenant improvements that are torn out or abandoned on expiration of the lease are expensed at that time.</p>	<p>The uniform capitalization rules of IRC §263A apply to tenant improvements. If construction periods are short, this nuance is often ignored.</p> <p>The IRS published an extensive set of capitalization and "repair/maintenance" regulations that affect how you treat many items. Those Regulations create both hazards and opportunities. Unless you have qualified on-site advisors, you will need professional help.</p>
Legal Expenses	<p>Legal fees, filing, recordation, and collection costs related to business activities, contractual issues, securing title to assets, or investment activity.</p>	<p>Personal legal fees (e.g. incident to a divorce) are not deductible as either business expense or itemized deductions.</p>
Licenses & Permits	<p>Local, state, and federal business license fees and expenses necessary to maintain them.</p>	<p>See "Penalties" below for exceptions.</p> <p>State law may restrict this deduction on state returns.</p>

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Maintenance	See: Repair and Maintenance, Equipment and Structures, and Depreciation	The IRS published an extensive set of capitalization and “repair/maintenance” regulations that affect how you treat many items. Those Regulations create both hazards and opportunities. Unless you have qualified on-site advisors, you will need professional help.
Management Fees	See: Contractor & Subcontractor Services	
Market Analysis and Marketing Plans	See: Business and Marketing Plans	
Meals	<p>50% of the cost plus tips and gratuities for meals (and drinks) you purchase in restaurants or other eating establishments for the purpose of holding a business meeting with clients, potential clients or (sometimes) staff. Business must be discussed at the meeting.</p> <p>50% of the cost plus tips and gratuities for meals (and drinks) you purchase in restaurants or other eating establishments while you travel “away from home.”</p> <p>With minimal exceptions “Food” purchased for consumption after being cooked is not considered to be a “Meal.” (Firefighters’ station rations are one exception.)</p> <p>TCJA eliminated (repealed) the “Meals for the Convenience of the Employer” deduction (which was badly abused in some industries).</p>	<p>There are significant recordkeeping requirements for meals – mostly because there is significant abuse of this deduction ... IRS agents have hot buttons, too. Ya’ know? Specifically, keep records of what was discussed at each meal. (No business discussion, no deduction unless you are traveling.)</p> <p>“Away from home” has a specific meaning in this context. Generally, “away from home” is anyplace far enough away from your home base that meals might be required for the welfare of you or your employee.</p> <p>Even though only 50% of the cost of a business meal is deductible, report 100% to your tax consultant. Let them do the arithmetic. (There are also exceptions to the 50% limit for, e.g. truckers.)</p> <p>The 50% limit does not apply to meals sold to your customers.</p>

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Office Expense	Often the functional equivalent of “Miscellaneous.” Any item that is ordinary, necessary, and reasonable to incur in your business, is used in your office, but doesn’t readily fit in other categories.	Don’t get too carried away with this one.
Office Supplies	Purchase or production cost (graphics, printing, delivery, etc.) for all office consumables, including (but certainly not limited to): pens, pencils, markers, pads, letterhead, post-its, staples, staplers, computer paper, printer toner, desk protectors, calendars, labels, dividers, paper clips, Acco clips, envelopes, notebooks, presentation folders, and small equipment items (e.g. jump drives) that are too inexpensive to capitalize (and not purchased in bulk).	
Organizational Expenses	See: Amortization	Small entities can deduct a limited amount (Currently \$5,000) of Organizational Expense in the year it is incurred and amortize the rest of the expense. Beware of the distinction between Organization, Startup, and Syndication expenses.
Outside Labor	See: Contractor & Subcontractor Services	

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
<p>Payments Received on Behalf of Others (Agency and nominee payments)</p>	<p>Theory: Agency and nominee payments are not income. Later distribution to their rightful owner is not a deductible expense. (The commission or handling fee your client pays you <u>is</u> income.)</p> <p>Reality: Payors often send nominees and agents a Form 1099 that reflects the Payor’s entire payment for your client’s services. It is often very difficult to persuade payors to reissue a corrected form.</p> <p>IRS Income Matching Programs are not designed to detect this sort of mis-match. The IRS thinks you made a whole lot more money than you actually did... and sends you an adjustment notice.</p> <p>Practical Solution: For tax purposes (but not for GAAP purposes) report all agency and nominee payments as both income and expense (or as income and “Discounts and Allowances.”). Report all agency and nominee payments, not just those for which you receive an incorrect 1099. Payors sometimes “forget” to send you your copy or the copy gets “lost in the mails.”</p>	<p>If you frequently handle money on behalf of your clients (e.g. accountants, attorneys, talent agents, real estate brokers, escrow agents, lawyers, and financial advisors) it is advisable (and often legally mandatory) to segregate these transactions in a trust account or similar escrow arrangement.</p> <p>State regulators (e.g. CA Department of Realtors) may audit trust fund activity to assure compliance.</p>

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Penalties	<p>Civil exactions, fines, and interest intended to punish “mis-behavior” (e.g. parking and traffic citations, EPA fines, SEC penalties, IRS penalties & interest) are not deductible.</p> <p>Interest penalties and late-payment fees on business debt are deductible as interest charges. See: Bank Charges, and Interest & Finance Charges</p>	<p>It is something of an open issue whether legal costs incurred to defend the company or its principals from charges of malfeasance are deductible.</p> <p>Check with your tax advisors if you find yourself in this quandary.</p>
Pension Plans	<p>Employer Contributions to pension plans, employer paid plan administration & education costs (employee contributions are accounted for as wage and salary or other compensation), less Employer plan credits.</p> <p>Sole proprietors and partners (members) deduct contributions to their own pension vehicles and IRA variations from Gross Income (subject to some limits). The pension contribution does not reduce their self-employment income.</p> <p>Deferred compensation, Top-Hat, and similar arrangements made between the company and its highly paid executives are beyond the scope of this document. (We are well-qualified to advise you in this area).</p>	<p>Similar to Employee Benefits and Fringes, but much more complex and demanding!</p> <p>This is another arena that requires <u>qualified</u> professional tax assistance! This is a complex area best left to specialists and sophisticated practitioners. (We are well-qualified to advise you in this area).</p> <p>There are numerous options (SEP, IRA, ROTH, 401K, profit share, money purchase, defined benefit, ad infinitum) and many opportunities to make financial planning, administrative, and tax mistakes.</p> <p>Pension plans and certain “welfare benefit” plans may require you to file IRS Form 5500 in addition to your personal and entity returns.</p>
Postage	<p>Stamps, postage imprinting, postage due, post office and private mail box service, imprint machine rentals, and mailing supplies consumed</p>	<p>Beware of “shrinkage” due to personal use of postage assets. Keeping a log of all postage used can help (and help document) shrinkage.</p>

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Printing & Duplication	Outside printing fees, graphics, setup, stripping, color key, paper stock, toner, ink, etc.	It is often a matter of opinion whether a particular item (e.g. letterhead) should be accounted for as printing or as office supplies. As long as the item is deducted only once, it is a moot distinction.
Professional Fees	See: Accounting, Contractor & Subcontractor Services, and Legal Expenses	Fees paid to attorneys and accountants must be reported on Form 1099 – regardless of the amount (even if < \$600 reporting threshold) and regardless of entity form (issue 1099s to PCs, LLPs, and other, usually exempt, entities).
Promotion	See: Advertising	
Public Relations	See: Advertising	
Publications	See: Books	Publications (e.g. magazines, references, and journals) generally have lower “life expectancy” than books. (E.g. your 2006 tax guide probably will not be useful in 2007). Hence, capitalization issues are not prominent for publications.

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
<p>Reimbursed Expenses (Payments To You)</p>	<p>Theory: If you provide services to your client and are reimbursed for expenses you incur, the reimbursement is not income and the expenses are not deductible.</p> <p>Reality: Your clients often send a Form 1099 that reflects their entire payment for materials and your services. It is often very difficult to persuade them to reissue a corrected form.</p> <p>IRS Income Matching Programs are not designed to detect this sort of mis-match. The IRS thinks you made a whole lot more money than you actually did... and sends you an adjustment notice.</p> <p>Practical Solution: For tax purposes (but not for GAAP purposes) report all reimbursement payments as both income and expense (or as income and “Discounts and Allowances.”). Report all payments, not just those for which you receive an incorrect 1099. Clients often “forget” to send you your 1099 or it gets “lost in the mail.”</p>	<p>Note the similarity between this issue and the agency – nominee issue.</p> <p>Often, a practical accommodation is more efficient than strict adherence to accounting theory.</p>

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Reimbursed Expenses (Payments From You)	Reimbursed expenses should be accounted for and reported under the appropriate expense category (e.g. travel, supplies, entertainment, auto, etc.) – not in a lump under the “Reimbursed Expenses” label.	<p>Reimburse expenses only if your employee or contractor documents them sufficiently (by presenting mileage logs, invoices, credit card slips, cancelled checks, cash-out receipts, etc.).</p> <p>It may be preferable to provide responsible employees with company credit cards – thus assuring that you get proper statements.</p> <p>If you advance or reimburse employee expenses, talk to your tax advisor about “Accountable Plan Rules” and W2, 1099 reporting requirements.</p>
Rent, Equipment	Equipment rented or leased for use in your business, including production equipment, office equipment, and vehicles.	<p>Short term (less than one year) rentals are expensed as incurred.</p> <p>It may be advantageous (or necessary) to treat long term leases (more than one year and substantially similar to financing arrangements) as if they were a purchase and financing agreement rather than a lease (i.e. Capitalize the equipment and depreciate it, deduct interest and financing charges as incurred).</p> <p>If you operate in more than one state, equipment leases are capitalized into the “Asset Factor” of the multi-state apportionment formula. (Don’t worry if this statement isn’t clear – just ask your tax advisor if they did it.)</p>

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Rent, Space	Business space rent payments including base rent, overages, CAM charges, mutual association fees, storage fees, cooperative advertising, and other payments for the use of space.	<p>Except in extreme cases (tenancies that exceed thirty years) space leases are seldom capitalized for tax purposes. Rent is expensed as it is incurred.</p> <p>Similar to equipment leases, if you operate in more than one state, space leases are capitalized into the “Asset Factor” of the multi-state apportionment formula. (Don’t worry if this statement isn’t clear – just ask your tax advisor if they did it.)</p>
Repair and Maintenance, Equipment and Structures	<p>Labor, parts, materials, supplies and incidental costs of repairs to equipment and structures.</p> <p>Maintenance and repair contracts and extensions</p> <p>The IRS published an extensive set of capitalization and “repair/maintenance” regulations that affect how you treat many items. Those Regulations create hazards and opportunities. Unless you have qualified on-site advisors, you will need professional help.</p>	<p>Routine preventive maintenance and repairs to leased or rented property that allow you to continue using equipment and structures are expensed as incurred.</p> <p>Major overhauls and upgrades that significantly extend the function or life of property you own (or which you have capitalized) may need to be capitalized and depreciated.</p> <p>IRS guidelines assist in determining when you need to capitalize, but this remains a frequent cause of controversy between the Service and business owners.</p>

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Research & Research Materials	There is a certain amount of “we don’t know how to define it, but we know it when we see it” that comes into play under this heading. Talk to your tax advisor if research and experimentation are significant factors of your business plan.	<p>Good News: According to IRC §174, Research almost invariably involves experimentation. Hence, most businesses will not have to worry about the complicated distinctions and decisions related to research expenses (e.g. to amortize or expense, which costs, how long, take the research credit or the deduction, etc.)</p> <p>For these businesses, research expenses and materials are a small line item, and are expensed as incurred.</p> <p>Bad News: Most businesses will not qualify for the IRC §41 credit for “Increasing Research Expenditures” (see IRS Form 6765 for a cooks’ tour)</p>
Returns & Allowances	Terms discounts, bulk sale discounts, friends and family adjustments, defective product reimbursements, and offsets to items included in income as either Reimbursed Expenses (Payments To You) or Agency and nominee payments	See: Reimbursed Expenses (Payments To You) or Payments Received on Behalf of Others (Agency and nominee payments) for the practical rationale of some of the items included in this description
Royalties & Commercial Licensing Fees	Payments based on your use of, or revenue from physical or intellectual property that belongs to others. (E.g. process license fees, royalty payments for copyrighted or patented works)	There is often a fine line between bribes or kickbacks (both illegal and non-deductible) and royalties & commercial licensing fees (Especially in foreign venues subject to FCPA, where licenses are sometimes granted in return for “favors” paid to government officials). When in doubt, seek appropriate legal counsel.

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
Security	<p>Alarm monitoring, rapid response services, and equipment necessary to provide the service.</p> <p>On-staff security personnel are most often employees subject to payroll withholding and payroll taxes.</p>	Some security costs (e.g. vehicles, sensors, monitors, and infrastructure) must be capitalized and depreciated.
Signage	See: Leasehold Improvements	
Software & Software Development	<p>Off the shelf software purchases (bundled and unbundled), “per use” licenses, development costs for custom user applications</p> <p>Software purchased for resale to customers is treated as inventory.</p> <p>The IRS published an extensive set of capitalization regulations that affect how you treat many items. Those Regulations create both hazards and opportunities. Unless you have qualified on-site advisors, you will need professional help.</p>	<p>Expense or capitalize decisions are usually made on a case by case basis.</p> <ul style="list-style-type: none"> • “Per use” licenses are expensed as incurred • Bundled software is depreciated over the same period as the equipment it is bundled with. • Unbundled software designed for general office use is expensed. • Special purpose (or particularly elaborate) unbundled software (e.g. very expensive accounting or personnel management software) is capitalized and depreciated. • Custom applications are capitalized and depreciated (though this is not strictly necessary in some cases)
Startup & Pre-Opening Expenses	See: Amortization	
Strategic Planning	See: Business and Marketing Plans	
Subcontractors	See: Contractor & Subcontractor Services	

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Supplies	Technically, any item consumed in the production process that does not become part of the final product. Classic examples include: paint rags, masking tape, machine oil, cleanup supplies, etc.	Like “Office Expense” this item often boils down to “Miscellaneous direct-expense stuff that doesn’t fit anywhere else.” Restaurants, in particular, incur substantial supply costs for e.g. replacement linens, pots, pans, silver, glassware, and related items.
Tax Preparation	See: Accounting Fees	
Taxes	Payroll taxes, Local business taxes and permits, real and personal property taxes Most state income tax incurred by entities (LLC, corporation, s-corporation) are deductible for Federal income tax purposes but not for state income tax. Federal income tax on entities is not deductible.	Withheld payroll taxes are considered part of wage and salary expense. Late payment penalties, interest, and other “failure to comply” penalties are non-deductible.
Telephone	Answering Service, Beepers & Pagers, Cell Phones, Land Lines (Voice, Fax), Remote Charges & Calling Cards, Telex and Teletype service charges and related equipment expenses. Personal Phone: Current IRS position states that your primary home phone is non-deductible, even if used for business purposes.	You may need to keep records of business phone use to substantiate the purpose of the services you pay for.
Theft & Embezzlement Losses	See: Casualty and other Business Losses	

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Tools	Small, low value hand tools and tools of the trade.	<p>High value, long lived, items are capitalized and depreciated. See: Depreciation</p> <p>Though the IRC and the Regulations specifically disavow it, IRS examiners often allow small businesses to use a “Base Stock Method” to report tool expenditures. Under this method, no deduction or depreciation is claimed for the first one or several purchases of a tool (the “base stock” that is necessary to run the shop). Subsequent additions and replacements to the base stock are expensed as incurred. The account balance is adjusted occasionally to reflect additional tools purchased, or obsolescence of the existing supply.</p>
Trademark	See: Copyright & Trademark	

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Travel	<p>Fares, Lodging, Local Transportation, and Incidentals & Tips paid for or during business travel.</p> <p>Fifty percent (50%) of travel meal expenses are deductible – however, report 100% of these items to your tax professional in order to reduce confusion.</p>	<p>Travel expenses are another IRS hot button.</p> <p>Travel must involve a substantial business purpose (i.e. must be incidental to a business meeting)</p> <p>Except for de-minimus per-diems, retain documents specifying the persons traveling, the business purpose, the context and date, and the expense incurred.</p> <p>If the travel is “incidental to personal travel” you must pro-rate travel expenses based on the number of business days relative to total days of travel.</p> <p>Foreign travel will be examined closely, as will spousal travel expense.</p>
Union Dues	Dues paid to unions	<p>Sole proprietors and loan-out entities deduct union dues paid on behalf of owners and shareholders (who are not officers).</p> <p>Employer payment of employee’s (including officers’!) obligations are treated as additional Wages and Salaries (subject to withholding)</p> <p>TCJA eliminated this itemized deduction.</p>
Utilities	Gas, electric, water, trash pickup	For office in the home, utilities are apportioned in the same way that other home office costs are apportioned (pro-rata based on square footage or number of rooms) unless the business space is separately metered.

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Item	What is Included	Requirements, Limitations, Opportunities & Hazards
<p>Wages, Salaries, & Payroll Taxes</p>	<p>Wages, salaries, and other compensation paid to production personnel, office staff, and officers</p> <p>Employer taxes based on payroll</p> <p>The IRS now issues rulings on Employee/Contractor issues for specific positions. See revised form SS-8 and the instructions for requesting a ruling.</p>	<p>Hiring employees implies withholding and payroll tax obligations. Withheld taxes are part of compensation. The employer FICA, SUTA, and FUTA obligation is based on gross payroll. Most states also impose a Workers' Compensation obligation.</p> <p>Officers are always employees. If in doubt regarding a non-officer worker's status as an employee or independent contractor, review IRS Form SS-8 and consult your tax advisor.</p> <p>If your business operates in more than one state;</p> <ul style="list-style-type: none"> • Each state may require you to file and report wages and salaries paid for services rendered within their jurisdiction; • Wages and salaries are included in the "Wage and Salary Factor" of the multi-state apportionment formula. (Don't worry if this statement isn't clear – Ask your tax advisor if they did it.) <p>Payroll obligations cannot be side stepped by "paying everyone as an independent contractor." That is a recipe for disaster. Disaster will strike shortly after your first "contractor" applies for unemployment. Don't even go there!</p>

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Wardrobe Expense	<p>Costumes, Protective clothing, Uniforms & Uniform Services</p> <p>Limited exceptions to the “suitable for street wear” rule are made for on-stage performance wardrobe for musicians, vocal performers, and similar stage professionals. See your tax advisor!</p>	<p>If the wardrobe is “suitable for everyday wear.” Personal wardrobe expenditures are not deductible. It does not matter whether the wardrobe is worn for street wear – only if it is suitable for street wear. (Among the precedents – a news anchor’s suits were not deductible even though they were not worn as street wear.)</p> <p>Costumes or uniforms that are purchased by producers are deductible. If the Wardrobe is later given to the performer or costumer, it is considered compensation subject to withholding and payroll tax.</p>
Website Services	<p>Hosting, programming, design, content licensing, software that facilitates coding.</p>	<p>To date, the IRS has not litigated a case in which it maintained that website costs should be capitalized. Since websites are potentially a very expensive long term asset, we won’t be surprised if the Service asserts this argument in the future.</p>

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Client's Summary of Business Deduction Amounts for Tax Year Ending _____

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Enter Tax Year Ending Date

Item	Amount	Client's Notes
Accounting Fees		
Advertising		
Amortization		
Answering Services		
Association Fees, CAM & Overage		
Automobile Expenses		
Awards (Recognition and Performance)		
Bank Charges		
Books		
Bookkeeping Fees		
Bribes & Accommodation Payments		
Budgeting		
Business and Marketing Plans		
Catastrophe & Theft Losses		
Cell Phones		
Classes & Continuing Education		
Cleaning & Janitorial		
Commissions		
Conferences		
Contractor & Subcontractor Services		
Contributions		
Copyright, Patent & Trademark		
Credit Card Payments		
Credit Card Processing & Service Charges		
Data Services		
Delivery		
Demo Items		
Deposits and Prepayments (Received)		
Deposits and Prepayments (Paid Out)		

Steven J Roy Management & Cambyses Capital
Client's Summary of Business Deduction Amounts for Tax Year Ending _____

Rev. 12/13/2018

Enter Tax Year Ending Date

Item	Amount	Client's Notes
Depletion		
Depreciation		
Distributions to partners, quasi-partners, co-authors & similar relations		
Disaster Recovery Planning		
Dues & Subscriptions		
Employee Benefits and Fringes		
Entertainment		
Equipment, Furnishings, Fixtures, Decorations, Buildings & Structures		Provide a schedule of equipment purchased, date purchased, and purchase price.
Estate & Succession Planning		
Fax, Telex & Teletype		
Filing Fees		
Financial Planning Fees		
Freight		
Gifts		
Goodwill		
Gym Membership & Physical Training		
Hair & Makeup		
Home Office		
Insurance		
Interest & Finance Charges		
Internet Services		
Inventory Held For Sale		
Job Search Expenses		
Laundry & Cleaning		
Leasehold Improvements		
Legal Expenses		
Licenses & Permits		

Steven J Roy Management & Cambyses Capital
Client's Summary of Business Deduction Amounts for Tax Year Ending _____

Rev. 12/13/2018

Enter Tax Year Ending Date

Item	Amount	Client's Notes
Maintenance		
Management Fees		
Market Analysis and Marketing Plans		
Meals		
Office Expense		
Office Supplies		
Organizational Expenses		
Outside Labor		
Payments Received on Behalf of Others (Agency and nominee payments)		
Penalties		
Pension Plan		
Postage		
Printing & Duplication		
Professional Fees		
Promotion		
Public Relations		
Publications		
Reimbursed Expenses (Payments To You)		
Reimbursed Expenses (Payments From You)		
Rent, Equipment		
Rent, Space		
Repair and Maintenance, Equipment and Structures		If expense relates to structures, differentiate between major structural components (plumbing, electrical, HVAC, shell, roof)
Research & Research Materials		
Returns & Allowances		
Royalties & Commercial Licensing Fees		
Security		

