

# IRS Publication 535

## Business Expenses

Summary of IRS Small Business Resource Guide 2004

**!! RULES MAY CHANGE EVERY YEAR !!**

**Check current publication or ask your Accountant.**

*Learn More from:*

[www.irs.gov](http://www.irs.gov) (search for publications and forms) or call 800-829-3676

[www.irsvideo.gov/audit/](http://www.irsvideo.gov/audit/) *Your Guide to an IRS Audit*

[www.tax.gov](http://www.tax.gov) *Learn about Tax topics through Videos*

**Schedule C (Form 1040) will be attached to your personal tax return to report Profit and Loss from your Business (sole-proprietors and LLC's)**

To be deductible a business expense must be both ordinary and necessary.

- Ordinary expense is common and accepted in your field of business.
- Necessary expense is helpful and appropriate for your business.

### **Car and Travel Expenses Publication 463:**

- Standard mileage rate for 2011 is 51 cents per mile (this can really save you tax \$\$\$, see outline of publication 463 for information on how to keep good records)

### **Business Use of Home Publication 587:**

- Office must be exclusive use and meet clients
- Storage can be a room or other separate identifiable space. The space does not need to be marked off by a permanent partition just used to store samples or inventory

### **Business Expenses Publication 535:**

- Advertising
- Licenses and Fees
- Office Expense
- Utilities
- Subscriptions to trade or professional publications
- Education Expenses
- Repairs
- Business Insurance
- Legal and Professional Fees
- Car and Truck expenses

# IRS Publication 946

## Business Start-Up and Depreciation Records

Summary of information from the CD ROM  
IRS Small Business Resource Guide 2004  
[www.irs.gov](http://www.irs.gov) or 800-829-3676

**Start-Up Expenses:** It is important that you keep good records during your start-up period. You may deduct all start-up expenses by taking 20% of those expenses per year for 60 months after you start your business.

Example: the cost of setup and filing your legal incorporation papers would be considered a business start-up cost.

- Begin a *Business Start-Up* file and put receipts for office supplies, business magazines you purchase. Keep mileage records to document trips you take to attend business workshops.
- You cannot deduct those costs until you have some business income to deduct from, so you accumulate those receipts and records until you start your business.
- After you start your business, you may deduct expenses in the year that you incur them.

**Business Equipment Depreciation Records:** Keep record of equipment that you are going to depreciate over time.

- Date purchased
- Cost of asset
- Cost of any improvements to the asset
- How you used the asset and how you disposed of it
- Selling price
- Expenses of sale

# IRS Publication 463

## Travel, Transportation, Entertainment and Gifts

Summary of information from the CD ROM IRS Small Business Resource Guide 2004

[www.irs.gov](http://www.irs.gov) or 800-829-3676

### Gift and Entertainment Records

- You may deduct \$25 per person per year for gifts
- You may deduct 50% of the cost of entertainment for business purposes (annual Golf Club fees are not deductible but one-half of the cost of the entertainment is)
- Keep all receipts; put the clients name on receipt and type of business conducted also log the appointment on your calendar

**Transportation Expenses** are the ordinary and necessary expenses for getting from one workplace to another in the course of your business or profession. Car expenses for tax home are deducted under car and truck expenses on Schedule C of your tax return.

- Write down your car mileage reading at the beginning of the year, you will need this to figure total miles driven during year
- Keep a mileage travel log to document your mileage, you can use your appointment calendar; 2011 rate is 51 cents per mile
- If you must go from one location to a series of other local locations in pursuit of conducting your business, you may not deduct the travel expense of your first trip to a customers location. That is the equivalent of driving yourself to work each day. Each subsequent trip may be deducted until the last trip from a client back to your home. These are considered day trips not travel expenses. (if you have an office you may go to the office first then to the customer or other business appointment or errand)
- Car expenses for tax home are deducted under car expenses Schedule C of your tax return.

**Travel Expenses** occur when you are away from home. Keep Travel car expenses separate and deduct under Travel on Schedule C of your tax return

- Document on your calendar where you are and what work you are doing
- Keep all receipts - including parking fees and tolls
- Keep a mileage travel log to document your mileage, you can use your appointment calendar



## Payroll Records – IRS Publication 545

Summary of information from the CD ROM  
IRS Small Business Resource Guide 2004  
[www.irs.gov](http://www.irs.gov) or 800-829-3676

- I-9 Form            Verify their right to work in the USA, must present proper documents. [www.uscis.gov](http://www.uscis.gov) (Site Map; Employers Info)
- E-Verify            Confirm legal working status at [www.dhs.gov/e-verify](http://www.dhs.gov/e-verify)
- W-4 Form            To set up their exemption and withholding [www.irs.gov](http://www.irs.gov)
- W-5 Form            Earned Income Credit eligibility [www.irs.gov](http://www.irs.gov)

Employment Labor Law Poster – Duncan Workforce Center can provide FREE posters plus many other benefits. Call (580) 255-8950 or visit their website [www.oesc.ok.gov](http://www.oesc.ok.gov) for information about FUTA the unemployment benefit tax.

**Payroll Deductions:**    Electronically file W-2s at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer)

Federal Income Tax – can get tax tables from [www.irs.gov](http://www.irs.gov)

Oklahoma State Income Tax - can get tax tables from [www.oktax.state.ok.us](http://www.oktax.state.ok.us)

Medicare 2.9% - employer pays ½ or 1.45%

Social Security or FICA (Federal Insurance Contribution Act) 12.4% - employer pays ½ or 6.2%. Verify SS# at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer)

FUTA Federal Unemployment Tax 6.2% of the first \$7,000 earned income. Reported separately from SS and Medicare – employers pay all of this tax.

Oklahoma Unemployment paid quarterly (apply with the Duncan Workforce Center (580) 255-8950). You will receive a credit against your annual FUTA for the amount you paid to Oklahoma.

**Set up a file for each employee. Keep all employee records indefinitely, in case of legal action. The following is a list of items that should be in every employee's file.**

Form I-9 (and e-verify receipt)    Form W-2    Form W-4    Form W-5    OES-112

Worker's Compensation – check the State Insurance Fund [www.CompSourceok.com](http://www.CompSourceok.com) and your insurance agent for rates.

Signed receipt of Policy and Procedure Manual.            Performance Appraisal.

OES-112 New Hire Report and any other State Regulated Forms – check with Duncan Workforce Center, 1927 W. Elk or (580) 255-8950 the State website [www.oesc.ok.gov](http://www.oesc.ok.gov). You can do back ground checks at [www.hireright.com](http://www.hireright.com). Verify SS# at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer)

# Tax Calendar – Publication 509

[www.irs.gov](http://www.irs.gov) or 800-829-3676

<b>By January 31</b>	Furnish 1099's and W-2's File Form 944 File Form 940 Annual FUTA
<b>By February 15</b>	Request New W-4's
<b>By February 28</b>	File 1099's and 1096 Annual Summary File W-2's and W-3 Transmittal
<b>By end of April</b>	File Form 941 (Employer's Quarterly Federal Tax)
<b>July</b>	
<b>October</b>	File Form 940 if more than \$100 (deposit of FUTA tax)
<b>January</b>	
<b>By April 15</b>	Individuals who are required to make Federal quarterly deposits using Form 1040-ES voucher and Oklahoma State quarterly deposits using Form OW-8-ES.
<b>June 15</b>	
<b>September 15</b>	
<b>January 15</b>	

## **There are Two Methods of Payment** (see IRS Publication 15)

**Electronic Deposit** – Set up with Bank. For educational material and enrollment forms go to [www.EFTPS.gov](http://www.EFTPS.gov) or call 800-555-4477 or 800-555-8778.

**File Form 941 Directly with IRS** - if your total tax liability for the quarter is less than \$2,500.

**Penalties are extremely high for not paying on time (25% of unpaid taxes).**

**IRS** has hired 5,000 new auditors to specifically audit Small Businesses.

Source: Anita Campbell QuickBooks Webinar, December, 2009.

**Why?** Because IRS says by designating workers as “independent contractors,” businesses can save as much as 30 percent of payroll – avoiding unemployment insurance and workers’ compensation payments, as well as the employer’s share of payroll withholding.