

# LLC DEDUCTIONS CHEAT SHEET

## WHAT CAN I DEDUCT?

In order for an expense to be deductible, it must be both **ordinary** and **necessary**.

**Ordinary Expense:** An expense that is common and ordinary in your industry.

**Necessary Expense:** An expense that - without needing to be indispensable - is helpful to your business.

*NOTE: The above rule does not apply to every expense. Keep in mind that some "expenses" may be both ordinary and necessary, but remain nondeductible. The IRS distinguishes between "usual" business expenses and the following categories:*

- **Capital Expenses:** Where expenses are deducted, assets are capitalized. Capitalization is the process through which depreciation (tangible property) or amortization (intangible property) takes place. This allows for smoother accounting, by taking into account the natural "decrease in value" of an asset over time.
- **Personal Expenses:** You can not deduct personal, living or family expenses. Having said that, you can deduct the business portion of an expense if it entails both business and personal usage.

## INCREASE TAX SAVINGS

LLC owners that elect s corp status do not pay corporation, FICA, or self-employment taxes on all distributions received. For more information on the tax-advantages of electing a corp status, see our article on the [Benefits of an S Corp](#).

## MAXIMIZE DEDUCTIONS

Use a professional accounting service like [Freshbooks](#) to ensure you take advantage of all the potential deductions you can make.

## COMMON DEDUCTIONS

- Self Employment Tax (50%)
- Startup Costs: Up to \$10,000
- Office Supplies & Services
- Advertisement Expenses
- Business Insurance Premiums
- Business Loan Interest & Bank Fees
- Educational Expenses
- Home Office Expenses
- Legal & Professional Fees
- Travel Expenses
- Business Rent & Car Usage
- Cost of Goods Sold
- Retirement Contributions
- Charity & Gift Contributions
- Business Utilities
- Qualifying vehicles can be expensed rather than depreciated in accordance with [Section 179 of the IRS](#)
- Business Portion of Payroll Taxes
- Local and State Income Taxes may be deductible depending on location
- Health Insurance Premiums
- Up to 20% Qualified Business Income Deduction for Qualifying LLCs

[IRS Reference: Publication 535 - Business Expenses](#)

For a more in depth overview, see our review of our [LLC EXPENSES CHEAT SHEET](#) article.