

2012 Business Deduction List

Advertising - Your business can deduct all of the cost of advertising as a business expense.

Automobile expenses - For 2012 returns, the standard mileage rate for business driving is 55.5 cents per mile. Alternatively, the actual cost of operating the vehicle, including fuel, repairs, insurance and depreciation can be claimed. For 2013, the standard mileage rate is 56.5 cents a mile.

Bad debts - If your business loaned money to someone and determined in 2012 that it would not be repaid, the loss is deductible against business income on your 2012 return. The loan amount must be included in the income reported to qualify for the deduction.

Banking fees - Charges imposed by banks for business accounts are tax-deductible expenses.

Business gifts - Up to \$25 a year can be deducted for the cost of business gifts to any number of customers or clients.

Business meetings - The cost of business meetings that you or your employees attend is a deductible expense.

Child care facilities - Employers can claim a tax credit of up to \$150,000 a year for 25% of the cost of building and operating child-care facilities for their employees.

Commissions and fees - Commissions paid to salespeople and other workers are deductible.

Contract labor - Amounts paid to independent contractors who provide services to your business are deductible.

Credit card fees - Fees imposed by credit card companies to process charge card sales can be deducted.

Credit for alcohol used as a fuel - This is a credit available to small producers of alcohol and ethanol fuels.

Depletion - Depletion is the using up of natural resources by mining, quarrying, drilling, or felling. The depletion deduction allows an owner or operator to account for the reduction of a product's reserves.

Disabled access credit - If your company had gross receipts of \$1 million or less in 2011 or employed no more than 30 full time employees then, it is eligible to claim a credit for expenses incurred in 2012 to improve access for the disabled, such as constructing entrance ramps or special parking spaces. The first \$250 of eligible expenses is ignored, and the next \$10,000 of costs qualifies for a 50% tax credit.

Domestic production deduction - Businesses can write off 9% of their taxable income from qualified U.S. production activities, or the taxable income without regard to the deduction (whichever is less) including manufacturing, construction, mining, drilling and farming.

Depreciation - Depreciation deductions allow you to write off the cost of business assets over time. Small companies can "expense" the cost of some assets placed in service in 2012, meaning they get an immediate deduction of costs that would otherwise be depreciated over time. See Expensing.

Employee benefit programs - Businesses can deduct the cost of fringe benefits provided to employees, such as health insurance and retirement plans.

Expensing - Also called the Section 179 deduction, after the part of the tax code that allows it, this break allows businesses to fully deduct the cost of some assets placed in service that would otherwise be depreciated over many years. In general, for 2012 businesses are allowed to "expense" up to \$139,000 of such costs in 2012. Firms that put into service more than \$560,000 of assets in 2012 gradually lose the right to use this method.

Goodwill - The cost of goodwill acquired as a result of a corporate merger can be amortized over a 15-year period.

Holiday parties - Your business can deduct the cost of holiday parties for employees.

Home office expenses - You can deduct the costs of a home office that you use exclusively and regularly for business. This includes depreciation, utilities and insurance for the office portion of your home. To qualify for the tax break you must either meet with clients there regularly or the home office must be your principal place of business (unless it is not attached to your house).

Indian employment credit - Businesses get a tax credit for part of the wages they pay to members of Indian tribes who live on or near an Indian reservation.

Insurance other than health insurance - Businesses can deduct the cost of many types of insurance, including policies covering property and casualty protection, malpractice coverage and vehicle insurance.

Interest expenses - Interest paid on debt taken on by a business are tax deductible.

Investment credit - The investment credit consists of the rehabilitation tax credit, energy credits and the credits for qualifying advanced coal projects and qualifying gasification projects.

Legal and professional services - Amounts paid for legal and accounting services for your business are deductible.

Low-income housing credit - Investors in projects that provide housing primarily to lower-income taxpayers can claim a credit for part of their investment.

Meals and entertainment - Fifty percent (50%) of the cost of meals and entertainment for clients is deductible, if you (or one of your employees) are present, the meal is directly related to or associated with the active conduct of your business and the meal is not lavish or extravagant.

Net operating losses - Net operating losses from your business generally are carried back for two years (triggering a refund of taxes paid) unless you specifically elect to carry them forward for up to 20 future tax years.

New markets tax credit - This is an incentive for investments in entities that lend money to firms in poorer areas (qualified community development entity) before 2012. Investors get a 5% credit for the first three allowance dates on the money they put up and a 6% credit for next four allowance dates. The total credit is equal to 39% of the investment over seven years. Active involvement of the low income communities is required with strict penalties if the investment is terminated before seven years.

Office expenses - Office expenses such as bottled water services, janitorial services and the costs of alarm services are deductible.

Orphan drug credit - This credit is claimed by pharmaceutical companies on the costs of developing drugs to combat rare diseases affecting fewer than 200,000 people.

Passive activity credit - Credits from investments in activities you don't materially participate can only be used to offset the tax due on passive income. Credits that are disallowed by this rule in 2012 are carried over.

Pension and profit sharing plans - Amounts paid for employee retirement plans are allowed as a deduction.

Pension plan startup costs - Small companies, generally those with fewer than 100 employees, are allowed a tax credit for the 50% of the cost of starting up new retirement plans. The maximum credit for a year is \$500 and it may be claimed for qualified costs incurred in each of the three years beginning with the tax year the plan becomes effective.

Postage - You can deduct the cost of postage to mail business letters and packages.

Professional associations - The cost of membership in professional associations, board of trade and chambers of commerce is deductible.

Prizes and awards - The cost of prizes and awards given to employees can be deducted.

Renewable energy production credit - A tax credit is allowed for energy produced from or wind, solar, geothermal and "closed-loop" bio-energy facilities, "open-loop" biomass, incremental hydropower, small irrigation systems, landfill gas and municipal solid waste facilities.

Rent - Your business can deduct amounts paid to lease office space. Special rules limit the deduction for rent paid in advance by businesses that use the accrual method of accounting.

Repairs and maintenance - Repairs you make to business equipment, office space, buildings and other property, as well as the costs of maintenance are deductible business expenses.

Research and experimentation credit - If your business increased its expenditures on research and development in 2012, you may be able to claim a tax credit for some of those expenses.

Self-employed health insurance - Self-employed tax payers can deduct 100% of premiums paid for their health insurance on the 1040, even if they do not itemize deductions.

Special fuels credits - Producers of special fuels, such as alcohol fuels, low-sulfur diesel, fuel from nonconventional sources and from biodiesel, can claim tax credits.

Startup costs - You can deduct up to \$5,000 of the cost of starting up a new business in the year the business is launched. Startup costs also can be amortized over a 60-month period.

Supplies - The cost of office supplies, such as paper, pens, notebooks, file folders, paperclips, scissors, rubber bands, appointment books, desk calendars and blank CD-ROMs can be deducted.

Tax paid on employee tips. Restaurants can claim a tax credit equal to the Social Security and Medicare taxes paid on tips that exceed the portion of tips treated as part of the servers' minimum wage.

Taxes and licenses. You can deduct the cost of Social Security tax and Medicare tax on employees' wages, as well as personal property taxes and the cost of business licenses. Self-employed workers can deduct 50% of the Social Security and Medicare taxes they pay on their earnings.

Telephone. The cost of a telephone and long-distance calls for your business can be deducted; unless you operate out of your home have only one phone line. In that case, you can deduct only the costs of separately billed long-distance calls.

Track credit for small railroads. Owners of small railroads can claim a tax credit for 50% of their qualified expenses paid or incurred by an eligible taxpayer (Class II, Class III, persons who operate their own rail lines or related rail services) before January 1, 2012, up to \$3,500 per mile.

Travel. The cost of travel overnight away from home can be deducted, such as lodging, laundry and dry cleaning, tips to porters, and fees for fax services and Internet connections.

Utilities. The cost of utilities for your business is deductible, including electricity, gas, propane, heating oil, water and sewer fees.

Vehicle expenses. For 2012 returns, the standard mileage rate for business driving is 55.5 cents per mile. Add the cost of parking and tolls. Alternatively, the actual cost of operating the vehicle, including fuel, repairs, insurance and depreciation can be claimed.

Wages. Wages paid to employees is a deductible business expense.

Work opportunity and Welfare-to-Work credits. Employers are allowed to claim a tax credit for hiring members of disadvantaged groups, such as welfare recipients.