

## BUSINESS DEDUCTIONS

Expenses can be deducted if they are ordinary and necessary:

- Ordinary means that someone else who has a business like yours would likely have a similar expense
- Necessary means that you needed to spend this money in order to operate your business

In general, business expenses are deductible if they are reasonable costs you wouldn't have incurred if you didn't have your business. A list of common deductible business expenses follows. You may have expenses, unique to your business, that aren't on this list. If they are ordinary, reasonable, and necessary for your business, they are deductible.

- Advertising and promotion, including contributions that result in publicity for the business
- Accounting, consultation, and bookkeeping fees (including costs for preparing the business portion of your tax return)
- Bank service charges and fees
- Car and truck expenses. You can use either the mileage rate method (56.5¢ per mile for 2013, 56¢ per mile for 2014) or the business-use percentage of the actual auto expenses you incurred (gas, insurance, repairs, lease payments or finance charges, depreciation, etc.). If you use the standard mileage rate, you can also deduct the finance charges as well. Don't forget the miles you drive on business errands such as going to the bank, picking up office supplies, and going to the post office.
- Credit card annual fees for cards used in your business. If your card is used partly for business and partly for personal expenses, pro-rate the fee accordingly.
- Computer supplies and repairs
- Depreciation on business furniture, equipment and vehicles. Under Section 179 of the IRS code, up to \$500,000 worth of items purchased in 2013 can be depreciated in full on your tax return. Limits apply to most vehicles. Bonus depreciation of 50% is available for 2013. For 2014, the maximum Section 179 deduction is reduced to \$25,000. Bonus depreciation expires January 1, 2014. (*Limits for 2014 are current as of the time of publishing.*)
- Depreciation on assets converted to business use from personal use
- Dues, subscriptions, and fees
- Education, including seminars and conferences that increase your knowledge and skills. However, you can't take a business deduction for the cost of education that prepares you for a new line of work or career.
- Employee pensions and benefit programs
- Expense reimbursements to employees
- Company picnics, business related holiday events, employee meals for the convenience of the employer. These are 100% deductible.
- Equipment, including computers (*See information about depreciation*)
- Fringe Benefits for employees
- Furniture and décor for your office or home office
- Gifts to business associates or clients (up to \$25 per person per year is deductible) (*May qualify as Promotion*)
- Home office expenses, if you qualify. You qualify to take the deduction if you have a space in your home that's used regularly and exclusively to do the administrative work for your business. If you claim the deduction, you can choose to deduct the standard rate of \$5 per square foot of home office space (*not to exceed 300 square feet*) or the business percentage of all related expenses (i.e. insurance, real estate tax, mortgage interest, rent, maintenance, etc.). Even if you don't claim the home office

deduction, you still can deduct other expenses and the purchase cost of such items as a file cabinet or desk. *Note: Repairs in the office are “direct” expenses and fully deductible. The business percentage is based on the size of the office relative to the home’s total square footage.*

- Insurance. This includes liability, malpractice, business overhead, workers compensation, and other business-related insurance.
- Interest on business credit cards and loans. As with credit card fees, interest on a card used for both personal and business expenses must be pro-rated. Documentation is required to prove the allocation.
- Internet and email expenses used for business
- Legal and professional fees
- Licenses and fees
- Magazines and books that you need for your business. General circulation publications, including the local newspaper, are usually not deductible.
- Maintenance and repairs on equipment and office or store space
- Meals and entertainment
- Office supplies
- Pager and answering services
- Parking and tolls
- Payroll taxes that you pay on behalf of your employees (*But not the taxes withheld from your employee's paychecks.*)
- Postage, delivery, and freight costs
- Printing, copying, and fax charges
- Promotion (*No deduction is allowed for your time.*)
- Reimbursements
- Rent of equipment, storage space, and office space
- Small furnishings and equipment
- Small tools
- Subcontractors and consultants
- Taxes. Business and personal property tax on assets
- Telephone. You can deduct long distance business calls made from home even if you don't qualify for an office-in-home. Monthly service charges are deductible only if you have more than one phone line in your home and it is used for business.
- Travel for business, including costs to go to seminars and conferences. Deductible travel costs include hotels, airfare, taxis, car rentals, tips, and so on. These expenses are 100% deductible. Travel meals are 50% deductible. Document travel meals separately in case it is more beneficial to use the per diem rate for meals rather than actual expenses.
- Uniforms, unique, or special work clothing (i.e. steel-toed boots or coveralls)
- Utilities
- Wages, commissions, and salaries paid to employees

**Note:** *All deductions must be substantiated with written records. Payments should be made by check, credit or debit card, or electronic funds transfer. Special record keeping requirements apply for travel, meals and entertainment expenses, gifts and auto expenses. See your tax professional for details regarding these requirements.*

## ITEMIZED DEDUCTIONS

### **MEDICAL AND DENTAL EXPENSES**

*Medical expenses are deductible only if your out-of-pocket expenses exceed 10% of your adjusted gross income (AGI) unless you are age 65 or older. The threshold for these taxpayers is 7.5% of AGI through December 31, 2016.*

Medical expenses are the costs of diagnosis, cure, treatment, or prevention of a physical or mental illness, disease, or defect. Medical expenses are deductible in the year paid, regardless of when the services were provided. Only amounts paid out-of-pocket with after tax dollars are deductible.

The following items are among those generally deductible as medical expenses:

- Alcohol and drug treatment, including inpatient care
- Ambulance services
- Dental care including cleaning, orthodontia, oral surgery, and dentures
- Education expenses of a physically or mentally impaired individual if the school provides special education for a diagnosed medical condition
- Exercise or weight loss program prescribed by doctor for a specific medical condition
- Eyeglasses, contact lenses and supplies, and laser eye surgery
- Home improvements and specialized equipment if the main purpose is to provide a medical benefit such as ramps and railings or special telephone equipment for hearing impaired
- Hospitalization and medical treatments
- Insurance premiums for medical and dental care (*including Medicare*)
- Laboratory tests, X-rays, and diagnostics
- Long term care insurance (*with limits*) and long term care expenses
- Medical equipment and supplies including needles, crutches, bandages, oxygen equipment, prosthetic limbs, wheelchairs, hearing aids and batteries, and guide dogs
- Nursing home care and in-home nursing care
- Prescription medicine and drugs, including insulin
- Services provided by medical professionals including doctors, surgeons, psychiatrists, physical therapists, eye doctors, chiropractors, acupuncturists, etc.
- Smoking cessation programs, with prescription. *Drugs that do not require a prescription are not deductible.*
- Transportation expenses to obtain medical care including, mileage, parking, tolls, and hotel expenses for overnight stays (per diem limits apply for overnight stays)

### Non-Deductible Expenses

- Cosmetic surgery except to correct a deformity due to accident, disease or congenital defect
- Funeral expenses
- Health club dues
- Over-the-counter medicines, medicine purchased from another country, Medical marijuana
- Teeth whitening
- Vitamins and nutritional supplements unless prescribed by a medical professional

## **TAXES YOU PAID**

- State income taxes withheld and/or paid
- Additional tax paid on prior year state return
- State taxes paid on an amended return
- Estimated state taxes paid
- Personal property taxes
- Local income taxes
- Real estate taxes on personal residence, co-op or condo, second home, and all real property owned (*not limited to residence and second home*)
- Real estate taxes are typically allocated when you buy or sell a home (*See your tax professional*)
- Foreign income taxes (*The Foreign tax credit may be more beneficial.*)
- Auto license fees, tax portion based on auto value
- Sales tax in lieu of state income taxes (*Optional in 2013, expires December 31, 2013*)

*Non-deductible taxes include: interest and penalties on late paid taxes, federal income and excise taxes, federal estate and gift taxes, custom duties, fines and penalties for violation of the law, license fees, Social Security & Medicare taxes.*

## **INTEREST YOU PAID**

- Home mortgage interest and points paid to acquire or improve a primary residence and second home (referred to as Acquisition Debt). Acquisition debt is limited to \$1million (\$500,000 if MFS) for determining qualified residence interest. In addition, interest on a maximum of \$100,000 of home equity debt may also be deductible. Home equity debt is debt secured by the home that exceeds acquisition debt.
- Origination fees or points paid to purchase a home or refinance a loan (*Note: Refinanced points may need to be amortized.*)
- Investment interest to extent of investment income

## **GIFTS TO CHARITY**

Cash and Non-Cash Contributions to:

- Religious Organizations such as churches and synagogues
- Federal, state and local governments
- Nonprofit schools and hospitals
- Public parks and recreation facilities
- Public Charities such as United Way, Salvation Army, Red Cross, Boy and Girl Scouts, etc.
- War veterans' groups
- Other qualified charitable organizations

*Note: Not all "non-profits" qualify. Go to [www.IRS.gov/charities](http://www.IRS.gov/charities) for a list of qualifying charities.*

Deductions for charitable contributions also include:

- Charitable travel miles for charitable organizations or volunteer work (14¢ per mile)
- Charity-sponsored conventions
- Exchange student (*transportation and incidentals*) up to \$50 per month
- Supporting a foster child (*expenses exceeding payments*)
- Tickets & merchandise purchased - excess of cost over fair market value
- Volunteer out-of-pocket expenses

*Note: Your time is not deductible.*

## **CASUALTY AND THEFT LOSSES**

Non-business losses must be unreimbursed and exceed 10% of your adjusted gross income plus \$100. Business losses are fully deductible on the Casualties and Thefts form.

## **JOB EXPENSES AND OTHER MISCELLANEOUS DEDUCTIONS**

*Miscellaneous expenses are deductible if the expenses exceed 2% of your adjusted gross income.*

### Unreimbursed Employee Expenses:

- Employer required medical examination
- Gifts (*business related under \$25 each person*)
- Job related education expenses
- Job search expenses
- Lodging and meals if away from home overnight (*check per diem rates*)
- Membership dues to professional societies
- Occupational taxes and fees
- Office-in-home expense, if required and for the convenience of the employer
- Other employer authorized business expenses
- Passport fees for a business trip
- Professional and union dues
- Professional liability insurance
- Required travel & auto mileage for job
- Small tools, equipment and supplies
- Special work clothes and uniforms
- Subscriptions to professional journals
- Telephone calls & beepers the job requires
- Travel between work locations

### Other Miscellaneous Expenses:

- Appraisal fees to establish tax deduction for charitable contributions
- Cost of special proxy fights
- Financial publications and programs
- Hobby expenses to extent of hobby income
- Investment counsel
- Investment expenses & broker fees
- IRA trustee's administrative fees billed and paid separately
- Legal fees for collecting or producing taxable income (*including alimony and tax planning*)
- Management of undeveloped property held for profits
- Repayment of previously taxed income of \$3,000 or less
- Safe deposit box
- Tax counsel, preparation and audit
- Travel to investment broker or manager
- Trust administration fees
- Loss on deposits in an insolvent financial institution

## **MISCELLANEOUS DEDUCTIONS** not subject to 2% limitation

- Amortization of bond premium (*Bonds issued before 10/23/1986*)
- Federal estate tax on income of a decedent
- Gambling losses (*to the extent of winnings*)
- Jury pay given to employer (*if already included in income*)
- Repayment of previously taxed income over \$3,000.
- Unrecovered investment in annuity on decedent's final return.
- Work related expenses of a disabled individual (*Medical expense related*)

### Non-Deductible Expenses

- Expenses to produce tax exempt income
- Loss from sale of personal residence
- Political contributions
- Gambling losses in excess of gambling winnings
- Hobby losses in excess of hobby income
- Legal fees for wills and estate planning

## Charitable Contributions

### Qualifying Organizations

Charitable contributions may be deducted only if they are made to a qualified organization. Qualified organizations generally include religious organizations, government bodies, nonprofit schools and hospitals, public parks, public charities, and war veterans' groups. If in doubt, ask the organization if it is qualified, or go to [www.irs.gov/charities](http://www.irs.gov/charities).

### Non-Deductible Contributions

The following contributions are not deductible: civic leagues; social and sports clubs; labor unions and chambers of commerce; lobbying organizations; homeowners associations; foreign organizations (with some exceptions); political groups or candidates; individuals; cost of raffle, bingo or lottery tickets; value of time or services; or rental value of vacation property.

### Limits on Contributions

In most cases, the deduction for charitable contributions may not exceed 50% of the taxpayer's adjusted gross income. A reduced limit of 30% or 20% applies to certain contributions. Contributions that exceed the limits may be carried forward five years.

### General Rules for Cash Contributions

**Less than \$250:** Cash contributions include cash, checks, credit card, debit card, electronic funds transfer, or payroll deduction. A cash contribution may not be deducted regardless of amount unless you keep one of the following: a canceled check; a legible bank or credit card statement detailing the date, the amount paid, and the name of the organization; a receipt or letter from the qualified organization showing the same information; or payroll deduction records. ***Undocumented contributions of cash are no longer allowed.***

**\$250 and over:** For each contribution, you must obtain an acknowledgment from the organization. An acknowledgment must be written and include: 1) the date and amount of cash contributed, 2) whether the organization gave you anything in return, and if so, a good faith estimate of the value of items received. An acknowledgment must be received prior to the filing date of the tax return (including extensions).

### General Rules for Non-Cash Contributions

For non-cash contributions, the record keeping requirements depend on the value of the contribution.

**If the contribution is under \$250,** you must get a receipt from the organization showing the following: 1) the name of the charitable organization, 2) the date and location of the charitable contribution, and 3) a reasonably detailed description of the property donated. A receipt is not required where it is impractical (such as an unattended drop site); however, a written record should be made with above information.

**If the contribution is over \$250,** All of the above, plus, you must obtain a written acknowledgement from the qualified organization showing: 1) a description of the property donated, 2) whether the organization gave you anything in return, and if so, a good faith estimate of the value of items received. The acknowledgement must be received before the tax filing deadline, including extensions.

**If the contribution is over \$500,** all of the above, and 1) a description of how the property was acquired, 2) the date the property was acquired, 3) the cost basis of the property, and 4) how the value of the contribution was determined (thrift shop value, appraisal, purchase, etc.).

**If the contribution is over \$5,000**, all of the above and, an appraisal is required. Note: There is not a “limit” of \$5,000 on non-cash contributions. \$5,000 is the threshold requiring an appraisal of one donated item or a group of similar items. For example, if you donated two separate diamond rings, each \$3,000 in value, an appraisal is still required because they are in a similar class and the total is over \$5,000. Appraisal fees are deductible on Schedule A in the Misc. 2% section. The fees are not considered part of the donation.

***No deduction is allowed for clothing or household items unless they are in good used condition or better. No deduction is allowed for small items of minimal monetary value, such as socks and undergarments.***

### **Volunteer Expenses & Miscellaneous**

You may deduct expenses incurred for volunteer work provided to qualified organizations. They must be directly related to the activity sponsored by the organization, unreimbursed, and not personal, living or family expenses. There are no deductions for the value of your time. Mileage is deductible at a rate of 14¢ per mile, so keep track of charitable mileage as well. There are special rules for travel expenses, conventions, large donations, business property, inventory, appreciated property, partial interest and property subject to debt. Contact your tax professional about any of these.

### **Special Rules for Vehicle Donations**

The contribution of a vehicle with a fair market value over \$500 is generally limited to what the charity sells the vehicle for rather than the FMV or “Blue Book” value. The organization is required to supply the following information to the donor: 1) the donor’s name and taxpayer ID number, 2) the vehicle identification number, 3) the date of contribution, 4) the gross proceeds from the sale, 5) a statement the deduction amount cannot exceed the proceeds from the sale, and 6) a statement the sale was made in an arm’s-length transaction between unrelated parties. This information is provided on IRS Form 1098-C, Contributions of Vehicles, Boats, and Airplanes. This form must be provided to the donor within 30 days of the sale and must be attached to the donor’s tax return.

The Sale Proceeds limitation does not apply in the following two cases:

- If the organization retains and uses the vehicle for its exempt purpose, or makes significant improvements prior to sale, the FMV as of the contribution date can be used. The charitable organization is required to provide the donor with copy of Form 1098-C within 30 days after the donation. To indicate this exception, Box 5c will be completed by the charity stating the use of the vehicle.
- If, as part of the organization’s charitable work, the charity sells or transfers the vehicle to a needy individual for below fair market value, the donor can generally deduct the FMV of the vehicle as of the contribution date. The charity will indicate when this exception applies by checking box 5b on Form 1098C. The form must be provided to the donor by the charity within 30 days of the original donation.

## Non-Cash Charitable Contribution Worksheet

### Use One Worksheet per Contribution Date

Date: \_\_\_\_\_ Organization: \_\_\_\_\_ Address: \_\_\_\_\_

**The following tables are estimates only. Actual FMV could vary significantly.**

#### Women's Clothing

	Excellent Condition				Average Condition				Subtotal
	Qty			Amount	Qty			Amount	
Bathrobe	12.00	x	=		3.00	x	=		
Belt	10.00	x	=		2.00	x	=		
Blouse-Long Sleeve	15.00	x	=		2.00	x	=		
Blouse-Short Sleeve	12.00	x	=		2.00	x	=		
Boots	18.00	x	=		6.00	x	=		
Coats	40.00	x	=		10.00	x	=		
Dress-Casual	20.00	x	=		4.00	x	=		
Dress-Formal	60.00	x	=		10.00	x	=		
Handbags	20.00	x	=		6.00	x	=		
Hats	10.00	x	=		5.00	x	=		
Jeans	21.00	x	=		4.00	x	=		
Pajamas	10.00	x	=		2.00	x	=		
Shoes-Casual	10.00	x	=		5.00	x	=		
Shoes-Dress	15.00	x	=		10.00	x	=		
Skirts	16.00	x	=		8.00	x	=		
Slacks	15.00	x	=		8.00	x	=		
Suits	30.00	x	=		5.00	x	=		
Sweaters	15.00	x	=		5.00	x	=		
Swimsuits	12.00	x	=		4.00	x	=		
T-Shirts	6.00	x	=		1.00	x	=		
		x	=			x	=		
		x	=			x	=		

#### Men's Clothing

	Excellent Condition				Average Condition				Subtotal
	Qty			Amount	Qty			Amount	
Bathrobe	10.00	x	=		2.00	x	=		
Belts-Leather	10.00	x	=		5.00	x	=		
Boots	20.00	x	=		10.00	x	=		
Jackets	25.00	x	=		7.50	x	=		
Jeans	21.00	x	=		4.00	x	=		
Overcoats	60.00	x	=		7.00	x	=		
Shirt-Long Sleeve	15.00	x	=		2.50	x	=		
Shirt-Short Sleeve	12.00	x	=		2.00	x	=		
Shoes-Casual	10.00	x	=		5.00	x	=		
Shoes-Dress	20.00	x	=		10.00	x	=		
Shorts	10.00	x	=		3.50	x	=		



Slacks	15.00	x	=		8.00	x	=		
Suits	60.00	x	=		15.00	x	=		
Sweatpants	12.00	x	=		2.00	x	=		
Sweatshirts	12.00	x	=		2.00	x	=		
Sweaters	15.00	x	=		5.00	x	=		
Swim Trunks	8.00	x	=		2.50	x	=		
T-Shirts	6.00	x	=		1.00	x	=		
		x	=			x	=		

### Children's Clothing

	Excellent Condition				Average Condition				Subtotal
		Qty		Amount		Qty		Amount	
Boots	20.00	x	=		3.00	x	=		
Coats	25.00	x	=		3.00	x	=		
Dress	12.00	x	=		3.50	x	=		
Jeans	12.00	x	=		3.50	x	=		
Pajamas	6.00	x	=		1.00	x	=		
Pants	12.00	x	=		2.50	x	=		
Shirts	6.00	x	=		2.00	x	=		
Shoes-Casual	8.00	x	=		4.00	x	=		
Shoes - Dress	14.00	x	=		7.00	x	=		
Shorts	6.00	x	=		1.00	x	=		
Snowsuits	19.00	x	=		4.00	x	=		
Sweatpants	6.00	x	=		1.00	x	=		
Sweatshirts	6.00	x	=		1.00	x	=		
Sweaters	8.00	x	=		2.50	x	=		
T-Shirts	3.00	x	=		.50	x	=		
		x	=			x	=		
		x	=			x	=		

### Furniture

	Excellent Condition				Average Condition				Subtotal
		Qty		Amount		Qty		Amount	
Bed-Single & Dbl	100.00	x	=		50.00	x	=		
Bed-King & Queen	200.00	x	=		100.00	x	=		
Chair-Upholstered	100.00	x	=		25.00	x	=		
Chair - wood	15.00	x	=		5.00	x	=		
Chest	30.00	x	=		15.00	x	=		
China Cabinet	300.00	x	=		85.00	x	=		
Coffee Table	65.00	x	=		15.00	x	=		
Crib w/ Mattress	100.00	x	=		25.00	x	=		
Desk	140.00	x	=		25.00	x	=		
Dresser	100.00	x	=		20.00	x	=		
End Tables	20.00	x	=		5.00	x	=		
Floor Lamp	50.00	x	=		6.00	x	=		
Folding Bed	75.00	x	=		37.50	x	=		
Formal Dining Set	900.00	x	=		150.00	x	=		

Headboard-Single	95.00	x	=		30.00	x	=			
Headboard-Others	150.00	x	=		50.00	x	=			
High Chair	50.00	x	=		10.00	x	=			
Kitchen Table Set	100.00	x	=		40.00	x	=			
Mattress-Sgl & Dbl	50.00	x	=		10.00	x	=			
Mattress-King & Qn	75.00	x	=		15.00	x	=			
Playpen	30.00	x	=		4.00	x	=			
Studio Couch	100.00	x	=		25.00	x	=			
Sofa	200.00	x	=		35.00	x	=			
Sofa-Sleeper	300.00	x	=		85.00	x	=			
Table Lamp	75.00	x	=		5.00	x	=			
		x	=			x	=			
		x	=			x	=			

### Appliances

	Excellent Condition				Average Condition				Subtotal
		Qty		Amount		Qty		Amount	
Clock Radio	8.00	x	=		4.00	x	=		
Dryer	90.00	x	=		45.00	x	=		
Iron	10.00	x	=		5.00	x	=		
Microwave	50.00	x	=		10.00	x	=		
Range	150.00	x	=		75.00	x	=		
Refrigerator	250.00	x	=		75.00	x	=		
Small Appliance	15.00	x	=		4.00	x	=		
Stereo System	75.00	x	=		15.00	x	=		
TV-B&W	40.00	x	=		15.00	x	=		
TV-Color	150.00	x	=		50.00	x	=		
Vacuum Cleaner	65.00	x	=		15.00	x	=		
VCR/DVD Player	15.00	x	=		8.00	x	=		
Washing Machine	150.00	x	=		40.00	x	=		
		x	=			x	=		
		x	=			x	=		

### Dry Goods

	Excellent Condition				Average Condition				Subtotal
		Qty		Amount		Qty		Amount	
Bedspreads	24.00	x	=		8.00	x	=		
Blankets	15.00	x	=		7.50	x	=		
Curtains	10.00	x	=		5.00	x	=		
Drapes	30.00	x	=		7.00	x	=		
Pillow	8.00	x	=		4.00	x	=		
Sheets-Set	12.00	x	=		6.00	x	=		
Tablecloth	10.00	x	=		3.00	x	=		
Throw Rugs	16.00	x	=		8.00	x	=		
Towel	4.00	x	=		1.00	x	=		
		x	=			x	=		
		x	=			x	=		

**Miscellaneous**

	Excellent Condition				Average Condition				<b>Subtotal</b>
		Qty	=	Amount		Qty	=	Amount	
Bicycle	65.00	x	=		12.00	x	=		
Board Games	3.00	x	=		1.00	x	=		
Books - Hardback	3.00	x	=		1.00	x	=		
Books – Softback	1.50	x	=		.75	x	=		
CD/DVD	5.00	x	=		2.00	x	=		
Coffee Mugs	2.00	x	=		1.00	x	=		
Dinner Plate	3.50	x	=		2.00	x	=		
Fishing Rod	25.00	x	=		7.50	x	=		
Glasses-Drinking	2.50	x	=		1.50	x	=		
Golf Clubs	25.00	x	=		2.00	x	=		
Lawn Mower	100.00	x	=		25.00	x	=		
Luggage	15.00	x	=		5.00	x	=		
Pots and Pans	5.00	x	=		2.50	x	=		
Sewing Machine	85.00	x	=		15.00	x	=		
Skis	50.00	x	=		5.00	x	=		
Stuffed Animal	1.00	x	=		.50	x	=		
		x	=			x	=		
		x	=			x	=		
		x	=			x	=		

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Notes
