**Hidden tax tips for entrepreneurs**

*John Tozzi*

Are you missing tax deductions you're entitled to? Small business owners, self-employed workers, and independent contractors can write off many legitimate business expenses immediately, reducing the amount of income on which they pay taxes. But if you overlook applicable deductions or fail to keep adequate records that will back up your write-offs during an audit, you give up opportunities to cut your tax bill.

The Schedule C tax form used by sole proprietors to report business profit or loss has 21 line items for business expenses—including such catch-all categories as "office expense," "supplies," and "other expenses." The tax forms for partnerships, LLCs, and S-corps are similarly broad. "It doesn't even begin to hint at all the things that a business can legitimately deduct," says Bernard Kamoroff, a certified public accountant and author of 422 Tax Deductions for Businesses & Self Employed Individuals. Don't expect your accountant to find all the deductions you qualify for—your accountant doesn't know your spending as intimately as you do.

Kamoroff says business owners can reduce their tax bills by deducting expenditures that the Internal Revenue Service doesn't explicitly outline, but are nonetheless legitimate business expenses. In general, a purchase must be "ordinary and necessary" in your trade to be deductible. Few of the often-overlooked write-offs on their own will cut your tax bill substantially, but in aggregate, they can be worth the time and effort to track and deduct them. "They're all nickel dime, but boy they can add up," Kamoroff says.

Vehicle deductions often overlooked

There are a few big deductions that can significantly reduce your tax bill if you qualify. New investments of up to $250,000 in equipment, vehicles, or software can be written off immediately, rather than depreciated over future years, under the Section 179 deduction. If you have a home office that you use exclusively as your primary place of business, you can deduct costs for the business use of your home. And if you use your car or truck for business, you can deduct work-related expenses for gas, maintenance, insurance, and other costs, either using the IRS's standard mileage rate or by calculating the actual costs. The home office and vehicle deductions are two of the most overlooked write-offs, according to the National Association for the Self-Employed.

Small business owners who travel for business may also deduct some of their travel costs. Business-related meals and entertainment are only 50% deductible, although you can't write off expenses that are considered "lavish and extravagant." If your trip is exclusively for business, lodging and transportation costs are fully deductible. If the trip mixes business and personal matters, you may still be able to write off some business-related expenses.

Aside from big write-offs like travel or home-office deductions, plenty of other expenditures can save you money on taxes. If more than half your cell phone use is for business, you can deduct the cost of the business-related calls. Write off your Web hosting and domain name charges. And deduct the cost of business-related books, magazines, and newspaper subscriptions.

Meticulous records a must

The key to taking these small deductions is keeping track of your expenditures, so that you can show an auditor that your write-offs are truly business-related. "It is very important that they keep meticulous records, because the IRS is going to be pretty aggressive," says Chas

Roy-Chowdhury, head of taxation for the Association of Chartered Certified Accountants. But business owners who take legitimate deductions, and have the receipts, invoices, or other records to back them up, can maximize their tax savings.

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