

I'm not a robot   
reCAPTCHA

Continue

## Irs tax allowance worksheet

November 27, 2006 9 min read Opinions expressed by the collaborators of Entrepreneurs are yours. From guard dogs to Las Vegas-style showgirl costumes, there is no limit to what people will try to write about at tax time for the sake of their business. But where do you get the line from? What write-downs are trying to write go too far? We have assembled a team of three leading tax attorneys to get their advice on how far it is too far in the land from tax write-downs. Our team of experts includes Cliff Ennico, a Connecticut-based business attorney specializing in advising small businesses and entrepreneurs; Donna LeValley, tax attorney and collaborating editor of J.K. Lasser's annual tax guide; and Alvin S. Brown, a tax attorney who previously worked with the IRS chief attorney's office for more than 25 years. Prosecutor Write-Off: Travel expenses Here is a beanning that is sometimes difficult to decide where to draw the line. Can you deduct the cost of going to see a Cirque du Soleil show in Las Vegas if you're treating your customer? The answer is yes, as long as you can justify it as a business expense. And what if your spouse goes on the trip? As long as they are partners or employees of their business and attended conventions or meetings on the trip they took together, then their journey and 50 percent of their meals are also deductible. Expert Opinion: You can deduct travel expenses, and 50 percent of related meals and entertainment, if the trip is reasonably related to your business, explains Cliff Ennico. How to Do It Right: Here's a tip from Donna LeValley that will be very helpful on your next business trip: Grab an envelope from the stationary drawer of your hotel room and put all your receipts from that trip on it. Tag the envelope with a name and a date to help you remember this trip. The more accurate the records, the more likely they are to be accepted and validated by the IRS if you get involved in an audit situation. Paying taxes: Your mobile bill if you use a mobile phone as part of your business, this could be a big deduction for you. So don't make the mistake of mixing business with pleasure by sneaking too many personal calls into your mobile phone bill. Expert opinion: Because of the way a mobile phone can be used, it has come under scrutiny, so people need to keep good records and keep their actual phone bill so they can prove that most of the calls were business calls, explains LeValley. How to Do It Right: Check out your cell phone bill to make sure you get a detailed report. Because mobile phones are considered list properties, you must keep detailed records of their use. In the case of a land line, it's a good idea to have a phone number for your business, as the IRS won't allow you to allocate the cost of a single phone to your home at your home office. Prosecutor: Deductions from the Home Office's Home Office used to be a big red flag for an audit in the 1990s. These days, it is only necessary to deduction with caution. A basic rule of thumb to follow? Anything that is unusual and disproportionate to your income level is something the IRS will check, says Alvin Brown. So how do you determine your actual home office space? This is the area of your home dedicated solely to the management of your business. Once you find out the percentage of your home office compared to your home in general, then you can go back to your heating bills, electric bills and all the other bills that are going to support your home, and find out how much you can deduct for running your business. Expert opinion: Don't measure your office space at home yourself. When you do, you almost always change yourself, says Ennico. How to Do It Right: It's a good idea to have a contractor measure your space professionally. They can provide you with a letter indicating the exact square images of your home office space if you need to confirm it with the IRS. Prosecutor Write-Off: Home Office Computer As our experts pointed out before, it's not a good idea to mix your business world with your personal life. So they recommend never using your home office computer for personal tasks if you can help it. Expert opinion: If this is the only computer in your home, you'll need to calculate the percentage of total time you use it for business purposes, suggests Ennico. How to Do It Right: Ideally, the best option is to buy a laptop and dedicate it to being your personal computer. This way you can avoid any messy situation come audit time. Tax payment: Rent Wondering if you can still take the home office deduction if you are a tenant? The answer is yes. But you need to know the right way to do it. Expert opinion: If your landlord is an individual or unincorporated business, such as an association or LLC, says Ennico, you may need to send IRS Model 1099 to your landlord in January each year showing how much of your rental you are deducting. How to get it right: To make sure you handle this deduction properly, it's a good idea to check with your meter for more details. Tax Sanitation: Personal expenses This is a category that business owners can easily get into trouble if they are not careful. The bottom line is that you simply can't deduct services of a purely personal nature that aren't related to your business. For example, you cannot deduct these home care services such as gardening, landscaping and tree removal simply because you work outside a home office. Expert opinion: People start having problems when trying to make personal business expenses, says LeValley. How to Do It Right: If in doubt about whether an expense is deductible for your business, LeValley recommends a second opinion. I think even if you're very capable and even if you've had some experience on your own, LeValley says, it's always nice to get what I call a financial review from time to time. Prosecutor write-off: Dog on call for a dog to qualify as his company's guard help, says Ennico, if you are a little afraid of the animal yourself (image of a Rottweiler, Pit Bull or German shepherd). Believe it or not, this is a legitimate writing if taken correctly. Expert opinion: Ennico points out how to use it: You can only deduct this part of your total time spent on 'guard-dog' duty. How to get it right: Although it may seem pretty obvious, your dog will also be keeping an eye on your inventory. Another interesting mother: Although you can deduct expenses relating to the dog, you cannot deduct the dog itself. But it can depreciate throughout its expected lifespan, as determined by a local breeder. Who would have thought? Prosecutor Write-Off: Work-related uniforms or suits The two and don'ts of this tax are simple enough: Whether the suit or uniform is something you could wear out of your job, you don't have to write it off. If, however, it is obvious that it can only be used for the duties of your specific work, then it qualifies as a mistake. So a new outfit wouldn't qualify since you can use other sites outside your work environment. And a clown costume, you say? This is a different matter. Expert opinion: LeValley urges taxpayers to go down if it is a legitimate expense. If the expense is real, take it, he says. It may be weird, it may be great, but whatever it is, if it's real, being prepared to justify it, but don't be afraid to. How to get it right: A perfect example of some rather unusual clothes you can write involves a Las Vegas showgirl who was trying to write off the tight, sequined outfit she bought for her performances. LeValley says the showgirl told her she couldn't deduct that outfit as they were clothes and that she could wear them elsewhere. To prove the theory wrong, the woman showed up at her audit in one of her outfits and said: Where in the world do you think this could lead? I can't even sit down! Needless to say, he won his case. Audit triggers: The biggest red flags to consider out there are just a few more things you want to be careful about when it comes to taking deductions on your business taxes: All in the family. When hiring a spouse, child or close relative, be careful not to give them any special treatment. Make sure that the responsibilities of your job description are commendable with your age and experience. Pay them the same salary you'd pay anyone else doing the same job. In the money: Excessively high income compared to previous years can highlight and trigger an audit. And high-income taxpayers are more likely to be audited as they are more likely to engage in complex transactions and have alliances, trusts or businesses. Consistency is key. The IRS will realize if your federal return is disproportionate to the return of so be careful to make sure they are consistent. Stay up and up. People who have filed frivolous lawsuits in the past are very likely to always be audited. Taking into account not presenting your taxes to the IRS is something you can do that you think about your decision: People who haven't filed their federal taxes can be picked up for fraud, hit with a crime and do jail time. Even if you don't have the funds to pay for everything you owe, Brown strongly suggests filing anyway – you'd better file and not pay everything you owe than to wait until you have all the funds and risk being hit with penalties or worse. Meet your trainer. Increasingly, the IRS uses a software program to query statement preparers. If they notice a high error rate, they will not only audit the return preparer, but also audit that person's customers. So do your homework before choosing a trainer. And if you ever have any questions about whether they are guiding you in the right direction, seek an external opinion before proceeding. Protect yourself. If selected for an audit, Brown recommends living up to the IRS getting representation. As a former IRS insider, Brown says that these days, the IRS is a little out of control - they're not applying tax law professionally.