Maximize Your Business Deductions (Without Turning Your Books Into a Rodeo)

Seven essentials up top, then a saveable checklist of other deductions smart business owners and their tax professionals should review every year.

Quick note:

Limits and rules change. Loop in your CPA and financial planner so these moves fit your facts.

1) Supercharge Your Retirement Plan (Solo 401(k), SEP, 401(k) & Cash Balance)

Why it helps:

Retirement plans are a clean way to move dollars from “taxable today” to “tax-advantaged tomorrow,” and—if you have employees—to recruit and retain talent.

How to use it:

If you have no employees, compare a Solo 401(k) (salary deferral + employer contribution) with a SEP IRA (employer only). If you do have a team, design a 401(k)—and sometimes a cash balance plan—to maximize owner savings while keeping staff benefits fair. New plans may qualify for start-up credits.

Heads-up:

Contribution limits, catch-ups, and credit amounts update. Coordinate with a TPA/CPA before you adopt the plan.

Learn more:

IRS Publication 560 (Retirement Plans for Small Business): https://www.irs.gov/publications/p560

Form 8881 – Credit for Small Employer Pension Plan Startup Costs: https://www.irs.gov/forms-pubs/about-form-8881

Solo 401(k) vs SEP IRA – Mini White Paper (Rob Hrnicek): https://www.linkedin.com/posts/robhrnicek_solo-401k-vs-sep-ira-mini-white-paper-activity-7272391726776918016-8j03

2) Vehicle Deductions (depreciation, §179, bonus, plus clean-vehicle credits)

Why it helps:

Business-use vehicles can generate meaningful first-year write-offs; certain EVs may qualify for credits.

How to use it:

Track business-use percentage and mileage. Confirm §179/SUV caps and bonus rules before you buy. Verify EV credit eligibility by model/VIN.

Heads-up:

Personal use trims deductions. EV credit rules can change—confirm timing and eligibility before purchase.

Learn more:

IRS Publication 946 (How to Depreciate Property): https://www.irs.gov/publications/p946

IRS – Clean Vehicle Credit hub: https://www.irs.gov/credits-deductions/credits-for-new-clean-vehicles-purchased-in-2023-or-after

3) Hire Your Spouse (for real work at real pay)

Why it helps:

Wages unlock Social Security credits and allow salary deferrals and employer contributions in your retirement plan, boosting household savings.

How to use it:

Define duties, pay a market rate, and put them on payroll. In a 401(k), they can defer salary and you may add employer dollars (subject to testing if you have staff).

Heads-up:

Spousal wages have specific FICA/FUTA rules. Document like you would for any other employee.

Learn more:

IRS – Family Help (Family Employees Overview): https://www.irs.gov/businesses/small-businesses-self-employed/family-help

IRS Publication 15 (Employer's Tax Guide): https://www.irs.gov/publications/p15

4) Hire Your Kids (and consider a Roth IRA)

Why it helps:

Shift income from your higher bracket to their lower one, and use their earned income to fund a Roth IRA for long-term, tax-free growth.

How to use it:

Pay for legitimate, age-appropriate work. Keep timesheets and issue the right forms. Contribute up to the lesser of earned income or the annual IRA limit.

Heads-up:

Under-18 payroll rules differ by business structure. Keep clean records.

Learn more:

IRS – Family Employees (Children Working for Parents): https://www.irs.gov/businesses/small-businesses-self-employed/family-help

IRS Publication 590-A (Contributions to IRAs): https://www.irs.gov/publications/p590a

5) Health Savings Account (HSA)

Why it helps:

Enjoy the rare triple-tax advantage—deductible contributions, tax-deferred growth, and tax-free withdrawals for qualified medical expenses.

How to use it:

Enroll in an HSA-eligible HDHP, fund and invest the HSA, and save receipts so you can reimburse yourself later—tax-free—even years down the road.

Heads-up:

Not every "high-deductible" plan is HSA-eligible. Verify eligibility first.

Learn more: IRS Publication 969 (HSAs and Other Tax-Favored Health Plans): https://www.irs.gov/publications/p969

Rob's HSA Article – Common Mistakes & How to Avoid Them: https://www.linkedin.com/pulse/4-biggest-mistakes-people-make-hsas-how-avoid-them-rob-blnxc/?trackingId=pXfSBWJKQ26TM5f12bFvGg%3D%3D

6) Home Office Deduction (when it's truly a business space)

Why it helps:

If your space is used regularly and exclusively for business and it's your principal place of business, you can deduct costs via a simplified per-sq-ft method or actual expenses.

How to use it:

Measure once, document forever. Choose simplified (easy) or actual (often larger but paperwork-heavier). Keep square footage notes, a sketch, and photos.

Heads-up:

The kitchen table doesn't qualify. Be able to show regular, exclusive use and that it's your principal place of business.

Learn more:

IRS Publication 587 (Business Use of Your Home): https://www.irs.gov/publications/p587

7) Meals (generally 50% deductible)

Why it helps:

Routine client/prospect/team meals with a bona fide business purpose are usually 50% deductible—little bites add up over a year.

How to use it:

Keep the receipt, list who you met, and note the business purpose. Separate entertainment from meals.

Heads-up:

Travel per diems and employer-provided meals have different rules—don't mix them.

Learn more:

IRS Publication 463 (Travel, Gift, and Car Expenses – Meals section):
https://www.irs.gov/publications/p463

Saveable Checklist: Other Deductions & Tactics to Review

Pin this to your SOPs or share with your CPA at year-end. Click the links to dive deeper.

☐ Education credits (AOTC & Lifetime Learning): Coordinate dependency and filing status so the right person claims the credit; don't double-dip.

- **IRS – Education Credits Q&A:** https://www.irs.gov/credits-deductions/individuals/education-credits-questions-and-answers

☐ "Augusta Rule" (≤14 days): Rent your home for short, legitimate business use and exclude the income; document agenda, minutes, comps, and invoice.

- **IRS Topic No. 415 – Renting Residential and Vacation Property:** https://www.irs.gov/taxtopics/tc415

☐ Charitable giving: Cash, property, or appreciated securities (often deducted at the individual level for pass-through owners).

- **IRS – Charitable Contribution Deductions:** https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions

☐ Accountable plan reimbursements: Reimburse owners/employees for business expenses tax-free when you meet substantiation and timely-return rules.

- **IRS – Accountable Plans:** https://www.irs.gov/government-entities/federal-state-local-governments/accountable-plans

☐ De minimis safe harbor (tangible property): Elect to expense items up to $2,500 per item/invoice (or $5,000 with AFS) instead of capitalizing.

- **IRS – Tangible Property Final Regulations:** https://www.irs.gov/businesses/small-businesses-self-employed/tangible-property-final-regulations

☐ QBI (Section 199A) deduction: Up to 20% of qualified business income for many pass-throughs; watch wage/asset and SSTB limits.

- **IRS – Qualified Business Income Deduction (Section 199A):** https://www.irs.gov/newsroom/qualified-business-income-deduction-section-199a

☐ Self-employed health-insurance deduction: Above-the-line deduction; run through Form 7206 each year.

- **IRS – About Form 7206:** https://www.irs.gov/forms-pubs/about-form-7206

☐ Per diem & travel substantiation: Consider high-low per diem and M&IE rates to simplify reimbursements and recordkeeping.

• **IRS Topic No. 511 – Business Travel Expenses:** https://www.irs.gov/taxtopics/tc511

• **GSA – Per Diem Rates (reference):** https://www.gsa.gov/travel/plan-book/per-diem-rates

☐ Business gifts: Keep it classy—and under $25 per recipient per year (incidental costs like packing/shipping usually don't count toward the cap).

• **IRS – Deducting Business Gifts:** https://www.irs.gov/businesses/small-businesses-self-employed/business-gifts

☐ Start-up & organizational costs: Elect to deduct up to $5,000 each (phase-outs apply), then amortize the rest.

• **IRS – Deducting Startup and Organizational Costs:** https://www.irs.gov/businesses/small-businesses-self-employed/deducting-startup-and-organizational-costs

☐ Business bad debts: If you truly cannot collect, consider the deduction; document attempts to collect and use the correct method.

• **IRS – Bad Debt Deduction:** https://www.irs.gov/businesses/small-businesses-self-employed/bad-debt-deduction

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