

# Common Self-Employed Tax Deductions



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The most important thing that a self-employed individual can do for his tax return is learn to maximize his tax deductions. Self-employed tax deductions are a way to ensure that your business expenses are fully accounted and not qualified as income. Many self-employed individuals put a lot of money back into their businesses, and most of those expenses qualify for self-employed tax deductions. To ensure you're maximizing your income and not paying the IRS unnecessary taxes, consider these common self-employed tax deductions:

## **A home office qualifies for tax deductions.**

The home office tax deduction can be one of the most perilous deductions, but it's also an extremely useful way to minimize your tax liability. The key to claiming a valid home office tax deduction is to only claim it if you use the space as a dedicated home office. This means you can't claim your living room as a home office tax deduction if you also use it to watch television and movies and play video games. You can, however, claim an actual office if you use the room exclusively for your business. Making an unreasonable home office tax deduction, such as claiming your entire housing expenses as a home office, can red-flag you for an audit, so be prepared to justify your home office tax deduction.

## **Office equipment is another popular self-employed tax deduction.**

If you buy a computer, printer, shipping equipment or furniture exclusively for your business use, you can claim a tax deduction on the equipment. Depending on the size of the purchase, you'll need to decide whether to amortize it; that is, claim the value on a depreciating scale for several years; or write it off as a lump tax deduction on a single year.

## **Anything used exclusively for business probably qualifies for tax deductions.**

In addition to a home office and office equipment, most items used exclusively for business or required by the business probably qualifies for tax deductions. You can write off your utilities

and other business expenses as a tax deduction, you can write off uniforms required for your business, you can write off advertising and marketing expenses and you can even write off client gifts and dinners. Track every business expense, as most of these are likely to qualify for self-employed tax deduction.

**Half of your social security taxes are tax deductible.**

When you're self employed, you must pay social security taxes of 15.3 percent of your earnings. You can deduct half of that payment as a self-employed tax deduction on your form 1040.

**Self-employed health insurance and retirement plans qualify for tax deductions.**

If you're self-employed and pay for your own health insurance, your health insurance payments are 100 percent tax deductible. In addition, money you put into qualified self-employed retirement plans, such as SEPs and SIMPLEs, is eligible for tax deductions up to a certain dollar amount, depending on the type of retirement plan.