



# 9

## Tax Deductions Every Business Should Be Taking

**Money doesn't grow on trees. So don't waste it by paying more than you have to come tax time!**

With tax season nearing, here is a quick rundown of ways you can reduce your annual tax bill and build in savings throughout the year. But remember, the best way to make sure you are covered is by working with a professional financial advisor or a CPA.\*

### 1. Tools and Equipment

Tools and equipment includes everything from the machinery used in your stores and warehouses or fields, to simple office supplies like desktop calculators. If it's used in your business and is essential to your operation, it's eligible for a tax deduction. You can depreciate it over time or deduct the full amount of equipment purchased and paid for within the calendar year.

### 2. Office Equipment and Supplies

Office furniture, computers, office supplies, the business photocopier, and even chairs and white boards are deductible if purchased this calendar year. However, due to changes in the tax code, you also have the ability to stretch those deductions over several years as the investment depreciates. This way you can spread the benefit of the tax deduction over the depreciation period, which usually lasts around 3 years. Check with your CPA for specifics.

### 3. Business Software

Changes in the tax code now allow businesses to deduct the cost of computer software that you have or are planning to purchase to help your organization grow. Previously, businesses had to depreciate the cost of computer software over 3 years. Now, the software can be fully expensed in the year purchased.

Software that is purchased as a subscription model — meaning it stops working at the end of the subscription period unless renewed— is treated as an operating expense. This allows you to deduct your subscription fees every year. Software that you purchase to own, sometimes called on-premise or off-the-shelf software, can now be deducted in the year of purchase or depreciated. However, any fees for hosting your purchased software on a third-party's server should be deducted in the year they are paid.

Both subscription and purchase models are available to meet your business needs and your financial preference.



### 4. Accounting and professional service fees

You can deduct all bookkeeping expenses, including bookkeeper costs, or software used for business reasons. Also, fees paid to your payroll

services, business consultants, human relations (HR) personnel and other professionals that you hire to keep your company going are deductible in the tax year they were paid, according to the IRS.

### 5. Mileage and vehicles

With all the driving you do, from deliveries to pickups and everything in between, your own vehicles are eligible for tax savings. To save on your taxes, keep in mind the IRS only allows for miles that are used for business and make sure you keep a notebook in the glove box to record date, mileage, tolls, parking, and any other costs associated with the miles. The standard mileage rate for 2017 is **53.5** cents per mile.

### 6. Advertising and promotion

You're allowed a deduction for the costs associated with getting the word out for your business. This includes outdoor advertising, fees for Yellow Pages, newspaper ads, TV, local radio ads, and costs associated with using advertising agencies or marketing firms. You can also deduct the purchase, maintenance costs and hosting fee of your existing company website, or one in the works. Other promotional expenses that are deductible include printing costs for business cards or fliers, workshops for customers, and community sponsorships.

### 7. Uniforms and clothing

If you provide special shirts or uniforms for your staff, they are deductible. This includes company shirts worn in the front office and other forms of outerwear such as goggles, gloves or special footwear. The requirement is that every item of clothing submitted for a tax deduction must not be used for personal activities outside your shop.

## 8. Losses on bad debts

Is there any money owed that your business can't collect, such as unpaid accounts receivable or advance wages to a sales rep or a contracted employee who quit? You can claim a deduction for a bad business debt only if you previously included the amount owed to you in your gross income, according to the IRS.

## 9. Business Insurance Premiums

You can typically deduct premiums that you pay for business-related insurance. This can include your staff's compensation insurance, as well as the cost to insure your premises from fire, storm, theft, accident, or similar losses.

## Next Steps

Now that you've taken all the deductions you're entitled to, be sure your business software helps make your tax preparation easier.

Argos Software allows you to store a taxpayer ID number in a vendor record and identifies if the supplier is a 1099 vendor. With the Government Utility (GU) program that Argos Software offers, you can sync your data with the Abecas Insight product to produce your 1099 and W2s. Argos Software's GU utilizes the data within Insight to produce the 1099 in paper or electronic format, as well as W2s in either format. Argos validates changes for the year in relation to formatting and tax rates and distributes the GU program on the Web for our users to download and install.

Argos also supports Canadian forms and other specialized forms within our GU: these features are customizable to fit your accounting needs. To see if your specialized form is supported, or to learn how our software can help streamline your business and your tax filings, contact Argos.

## The Bottom Line

Every dollar matters - especially when it comes to taxes. Do a dry run of your taxes and identify potential areas of savings. If you've been thinking of getting a better software system to run your business, your best strategy may be "buy to save." Invest in industry-specific software now that can help you grow profits, simplify daily operations, and take advantage of tax savings. Call us to discuss your software and business needs today.



\*These suggestions are not intended as tax preparation advice. You should work with a qualified accountant or tax preparation specialist to see which of these tax deductions are right for your organization.

