IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Employee Wages	Wages, salary, bonuses, commissions, vacation, sick pay		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Payroll Taxes	Social Security taxes, Medicare taxes, unemployment taxes		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Employee Education Expenses	Reimbursement or payment of tuition, books, and other expenses for an employee	Education that qualifies the employee for a new career	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Employee Benefits	Accident and health plans, adoption assistance, cafeteria plans, dependent care assistance, life insurance		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
401(k) Plan Contributions	**2024 Contributions to a 401(k) plan, subject to the following limits:** **Under 50 contribution max:** $46,000 **50 or over contribution max:** $53,500 limited to employee compensation		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Form 1040 **Partners:** Form 1040

Fit Small Business

IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Travel, Meals, and Lodging for Employees	Transportation, meals, and lodging expenses incurred by employees on behalf of a business; meals are subject to a 50% limit	Entertainment	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Rent or Lease Payments	Office space, equipment rental, leased warehouse, leased vehicles		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Taxes for Leased Business Property	Taxes paid to a lessor on leased office space, equipment, and vehicles		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Personal Property Taxes	A tax imposed by a state or local government on personal property used in your trade or business		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Section 179 Expense	Under Sec 179, up to $1,160,000 (2023) can be deducted in the first year for qualified property and equipment, including a vehicle	Special limitations apply to Section 179 on a vehicle	**IRS Form 4562**
Repairs	Minor repairs like painting, cleaning and repairing roof, and fixing plumbing leaks	Major repairs that will increase the value or life of the property must be capitalized and depreciated	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Subscriptions	Subscriptions to professional, technical, and trade journals for your business field		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065

IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Advertising/ Marketing Costs	Business cards, flyers, website, and fees paid to companies to send promotional emails		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Supplies and Materials	Office supplies, cleaning supplies, books, printer ink, paper, light bulbs etc;		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Inventory	Raw materials, work in progress, finished goods, storage of items held for sale; deductible when the items are sold		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Utilities	Electricity, gas, landline, water and sewage		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Car and Truck Expenses	Gas, repairs, registration fees, miles driven for business	Cost of commuting from home to work	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Club Dues and Membership Fees	**Dues/fees paid to the following orgs:** Business leagues, Chambers of commerce, Civic or public service orgs, Professional orgs, Real estate boards, Trade associations	**Dues paid to the following orgs:** Country clubs, golf and athletic clubs, hotel clubs, sporting clubs, airline clubs	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065

IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Franchise, Trademark, and Trade Name	Costs incurred to purchase a franchise, trademark, or trade name		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Interview Expense Allowances	Reimbursements you make to job candidates for transportation or other expenses related to interviews; meals are subject to a 50% limit		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Legal and Professional Fees	Fees paid to attorneys and CPAs who provide services to your trade or business	Legal fees you pay to acquire business assets usually aren't deductible—these costs are added to the basis of the property and depreciated	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Tax Preparation Fees	Fees paid to anyone who prepares your business tax return or the business portion of your personal return	Fees paid for the preparation of your personal return	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
License and Permits	Business license, liquor license, realtor license, and other permits required for your trade or business		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065

IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Insurance Premiums	**Insurance premiums for insurance covering:** Fire, storm, theft, accident, business bad debts, liability, malpractice, workers' comp, vehicles used for business, life of officers and employees (you are not the beneficiary)		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Self-employed Health Insurance Premiums	Amounts paid for medical, dental, and qualified long-term care insurance for yourself, your spouse, and your dependents		**S-corps:** N/A **C-corps:** N/A **Sole Props:** Form 1040 **Partners:** Form 1040
Home Office	**Simplified method:** $5/sq foot or actual percentage of utilities, real estate taxes, insurance, mortgage interest		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Business Interest on Debt for Trade or Business	Interest paid on all loans, lines of credit, and other liabilities incurred for your trade or business	Interest on income tax debt of individuals, Interest on loans with respect to life insurance policies, Interest on personal loans and credit cards	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Business Start-up Costs and Organizational Costs	**Up to $5,000 of business startup and $5,000 of org costs:** Advertisement for grand opening, Costs of creating a corporation or partnership, A survey of potential markets, Salaries and wages for training employees		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Business Bad Debts	Unpaid amounts not received from a customer for services rendered can be deducted as bad debt by accrual-basis businesses		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065

IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Removal of Barriers to Disabled	Cost of removing architectural or transportation barriers to allow access for disabled persons		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Payment to 1099 Contractors	Payments to contractors like bookkeepers, virtual assistants, design firms, and anyone who provides a service to your trade or business		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Client Gifts	Gifts purchased for clients up to $25	Any client gift amount that exceeds $25	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Continuing Education	Registration fees and materials for seminars and courses that are useful for your trade or business	Education that qualifies you for a new career	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Charitable Contributions	Deductions made to qualified 501(c)(3) charities	Donations are limited to 60% of AGI for sole proprietors, partners, and S-corps. Donations are limited to 10% of taxable income for C-corps	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule A **Partnerships:** Form 1065
Net Operating Loss	Prior year losses, to the extent of current year income	Partnerships and S-corps generally cannot deduct NOLs but the partners and shareholders can use their allocation of business losses on their personal filings	**S-corps:** N/A **C-corps:** Form 1120 **Sole Props:** Schedule A **Partnerships:** N/A

IRS Business Expense Categories

Business Expense Category	Examples of Deductible Business Expenses	Examples of Non-deductible Business Expenses	Tax Form to Claim Deduction
Energy-efficient Commercial Buildings Deduction	Deduct up to $5.65/square foot for qualifying buildings		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Qualified Business Income Deduction	Deduct up to 20% of qualifying business income		**S-corps:** Form 1120S **C-corps:** N/A **Sole Props:** Schedule C **Partnerships:** Form 1065
Excise Taxes	An additional tax paid for items such as alcohol, tobacco, fuel		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
State Taxes	State and local income taxes, limited to $10,000 for individuals		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule A **Partnerships:** Form 1065
Sales Taxes	Sales tax is added to the cost of goods or services purchased		**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Penalties and Fines	Penalties paid for late performance or nonperformance of a contract	Fines paid to a government or nongovernment entity for the violation of a law (e.g., parking tickets, health department fines, tax penalties)	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065
Business-related Entertainment	Separately itemized meals consumed during an entertainment event	Entertainment costs including tickets, facility, and venue expenses	**S-corps:** Form 1120S **C-corps:** Form 1120 **Sole Props:** Schedule C **Partnerships:** Form 1065