



Understanding Misconstrued Tax Write-Offs

Posted by [Anthony Dolan](#) on Apr 9, 2011 in [Finance](#) | [View Comments](#)



Understanding tax write offs could be the difference between the IRS at your door or not.

There is not one individual who would not want additional tax write-offs. Hotly pursuing these, however, may catch unwanted Internal Revenue Service attention. The ideal thing to do is understand write-offs one should expect to get and what to be cautious about.

Take a look at business travel. Padgett Stratemann's partner Jeff Anderson said, it is possible to incorporate a little relaxation while getting the most out of deductible travel expenses without damaging a write-off. A business meeting that includes the weekend (Thursday, Friday and Monday) can treat the weekend meal and hotel costs as deductible, said Anderson. If the meeting does not extend until Monday, and Friday night flight is expensive, stay until Saturday then fly on Sunday. This is of course once Sunday flight is proven to be cheaper. Spending some leisure time after a day of meetings may still be tied to business activity. That way, the airfare for the trip, though not for the leisure time, will still be treated as deductible. Any additional person outside the business such as a spouse is shouldered by the individual.

Anderson said clients tend to be guarded about taking home-office deductions which are allegedly tax audits red flags. He said the rules state that an individual is entitled to a deduction for owned spaces used mainly for business. Some owners may find it difficult not to use a part of their home which was office space for personal use. But Anderson said once the criteria is met, it may be claimed and the owner may write off some parts of utility bills, mortgage or rent.

Metis Group's Stan Ginsber said, not until a new trade is officially open for business can a write-off begin. The only exception to that rule is often the organization costs. Last year's business owners may write-off up to \$10,000 used for the business set-up like incorporation papers, lawyers' fees, initial training expenses and advertising and travel.

Deductions that may cause problems include secondary home offices. Some business owners are supposed to get a write-off but don't because of doing it the wrong way, according to Robin Bell of Brown Smith Wallace. This happens when there is a remote office, outside the home, where billing is done as well as meetings with clients. Then a home computer is used for checking email or researching then this is attempted to be written off as a home office. Chances are, they don't get it because the place is used for personal reasons and not exclusively for business. Another reason is the use of equipment for both personal and for business such as a computer in a home office or a company car. Accountants call these 'listed items'. Business owners have to be able to keep a record of how much is used for business and how much was personal. A below 50% business use could mean losing some or an entire deduction. According to Bell, the business use has to be justified and then tallied up at the end of the year.

Meals during business travels are something the IRS used to differentiate. Personal meals, in general, are entitled to only a partial write-off. Meals fed to guests or clients even if it included the business owner are allowed a full write-off. That has changed. Today, it is a 50% deductible for meals or entertainment, personal or with clients. There is also a limit on deducting gifts which is \$25.