

Reference: Realtor's Deductions

Realtor's Comprehensive Deduction Checklist			
Expense Category	Subcategory	Description/Auditor Tips	Sch. C Line Item
COMMON EXPENSES			
ADVERTISING	Marketing Tools & Materials	<p>Marketing materials: such as flyers, brochures, postcards, direct mail, posters, videos, CDs, DVDs.</p> <p>Marketing Tools/Services: Subscription or fee based services/tools that enable you to advertise yourself, services, or listings. (Ex: Visual Tour®, Keller Williams Realty Mobile App). CRM System</p> <p>Networking: Networking events like professional luncheons.</p>	8
	Online Advertising	<p>Online Advertising: banner ads, ads in e-magazines or e-newsletters, ads run on another website, fees paid for listings on search engines.</p> <p>Online Adv. Tools: Realtor.com, Trulia, Zillow, Facebook, Google, etc.</p> <p>CRM System</p>	8
	Print Advertising	Print Ads such as Newspaper, Magazine, business directory, mailers, direct mail, etc....	8
	Signage	Also includes magnetic/painted vehicle signs, outdoor directional signs, and indoor/outdoor banners, billboards, business cards.	8
	Website	Fees paid to design, update, and host a website for your business. Also includes expenses for tracking hits and generating traffic reports. (Ex: GoDaddy)	8
	Other Advertising	<p>Client Appreciation/Networking Events: Ex: Hosting a catered event where you invite clients and potential clients to show your appreciation and drum up new business. Tip: This is advertising expense rather than "Meals" expense, thus making the deduction for valuable to you.</p> <p>Ad Agency Fees: As part of an overall marketing strategy, some Realtors turn to an advertising agency to develop an advertising campaign. Ex: Market research, ad creation.</p> <p>Sponsorship: If you receive advertising benefit from your sponsorship (Ex: an ad in the concert or athletic program), then you may deduct the cost as advertising.</p> <p>Imprinted small gifts are considered Promotional items (such as magnets, pens, key chains). They are not subject to the \$25 per year per recipient rule.</p> <p>Logo Clothing: Make sure the clothing prominently and clearly advertises your profession.</p> <p>Warning: Non-imprinted client gifts (reported on line 27) are subject to the \$25 limitation.</p> <p>Tip: Be careful, because donating to a charitable cause is deductible on your personal return as an itemized deduction, which is not as valuable as a business deduction. Therefore, from a tax standpoint, it's more valuable to give when you receive advertising benefit.</p>	8
CONTRACT LABOR	Contract Labor	<p>Includes payments to persons you do not treat as employees. Does not include contract labor included elsewhere (like legal/professional fees). Think of any out-of-pocket expenses you personally incurred in order to close a deal... Assistant, Photographer, Professional Stager, Videographer, etc.</p> <p>Ex: You pay to have listings professional staged a photographed.</p> <p>Ex: Unless your assistant is paid wage (i.e. issued a w-2), then your assistant is a contractor.</p> <p>Warning: You MUST file Form 1099-MISC for any contractor you paid \$600 or more to during the tax year. Form 1099-MISC must be filed with the Fed, State, and contractor by January 31st. The penalty for late filing varies, but you can expect up \$260 per 1099. The failure to issue the 1099 carries a minimum penalty of \$530 per 1099. Also, you must ALSO file a summary return with the Fed (Form 1096) and with the State (Alabama = Form 96).</p>	11

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OFFICE EQUIPMENT	Office Equipment	<p>Certain equipment purchases are considered an investment and must be depreciated (meaning, you get to deduct the cost over "x" number of years. Line 13 actually reflects the annual deduction allowed to recover the cost of business or investment property that has a <i>useful life substantially beyond the tax year</i>.</p> <p>Ex: Laptop, camera, Desk, GPS, cell phone device, printers, furniture, vehicles, etc.</p> <p>NEW Tip: The new tax bill (passed December 2017) greatly expanded <i>Section 179 and bonus depreciation, meaning much of these expenses can be deducted entirely in the tax year purchased</i>. VERY exciting new for business owners. Rely on your CPA for this determination. <i>\$2,500 de minimis Treasury Regulation § 1.263(a)-1(f)(1)(ii)</i>.</p>	13
	Business Insurance (other)	<p>Ex: Such as an umbrella policy.</p> <p>Tip: BEFORE you form an LLC, talk with your CPA, attorney, and insurance agent about the liability-limiting benefits that insurance can provide.</p>	15
	E&O Insurance	Error and Omission Insurance: Premiums paid for business insurance	15
INTEREST	Mortgage	<p>Interest you paid related to a mortgage on real property (not on your main home) used in your business.</p> <p>Tip: When you pay mortgage interest during the year, you generally receive a Form 1098 from the lender.</p> <p>Rarely Applies: Rarely applies to Realtors since most of you work from home or rent office space from your broker.</p>	16a
	Other Interest	<p>Ex: Business lines of credit, credit card interest (from business credit card only), interest from home equity lines of credit, auto interest.</p> <p>Tip: A portion of the interest paid on your car loan is deductible. Rely on your CPA for this calculation. Many tax preparers forget this deduction!</p>	16b
OFFICE EXPENSE	Business Cards	Also deductible as "Advertising" if you prefer.	18
	Telephone (cell)	Ex: Mobile phone service charges (i.e. The business portion of your cell phone bill is deductible). Also includes long-distance calls related to your business (circle such charges on your telephone bill and retain for recordkeeping). Also includes lines you use for internet connection.	27
	Broker Fees	Ex: Monthly administrative fees payable to your broker. (Desk Rent, Contract Admin Fees, etc.)	18
	Internet	Fees for Internet use	18
	Postage / Shipping		18
	Printing Costs	All copy and printing services and costs.	18
	Other Expenses	<p>Other office expenses that fit no other category.</p> <p>Warranty: Apple Care on iPhone or Geek Squad protection on business laptop</p> <p>Software: Office 365, QuickBooks, photo editing, Antivirus etc.</p> <p>Productivity Apps: (MilesIQ, EverNote), Online Storage Fees (Cloud, DropBox), OnStar or GPS</p> <p>Productivity Services: Answering, fax, or email service fees.</p>	18
SUPPLIES	Office Supplies	<p>Office: Pens, scissors, paperclips, toner/ink cartridges, rubber stamps, staplers, light bulbs, extension cords.</p> <p>Accessories: desk calendars, wallboards, drawer organizer, briefcase/computer bag</p> <p>Paper: Paper, notebooks, folders, labels, letterhead, envelopes, light bulbs, extension cords.</p> <p>Computer:</p> <p>Tip: Many business owners overlook these seemingly insignificant expenses. That's a mistake. Every dollar you can deduct on this line will reduce your taxes.</p>	22

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TRAVEL	Travel	<p>Ex: Lodging, airfare, taxi, rental car, tips for baggage, dry cleaning, Internet connection fee, etc.</p> <p>Tip: You may deduct <u>100% of travel expenses</u> relating to legitimate business. The expense must have been (1) while traveling overnight, away from your home; (2) ordinary and necessary; (3) reasonable; and (4) incurred for your existing business (not a start-up).</p> <p>Tip: Deduct only those expenses that relate to legitimate business and keep detailed documentation. Also, consult your CPA on the <i>tax-wise</i> way to legally combine business with pleasure travel.</p>	24a
MEALS	Meals	<p>NEW TIP: Beginning Jan 1, 2018, Entertainment is no longer deductible due to the new tax bill (passed Dec. 22 2018)</p> <p>Meals: (1) meals when you conduct business with a client or associate (2) meals when you dine alone while you're traveling overnight on business.</p> <p>Fact: You must reduce your legitimate business meals and entertainment by 50%.</p> <p>Tip: If audited, the IRS will disallow any deductions you took while dining alone locally, even if you were conducting business (which may result in penalties and interest charges). The proof is in the fact that your meal receipt contains only one meal item.</p>	24b
OTHER EXPENSES	Bank Charges	<p>Bank: Service charges, ATM use, overdraft fees, online bill payments, Debit card use.</p> <p>Credit Card: annual fees, late payment fees, cash advance fees, replacement card fees.</p>	27
	Client Gifts	<p>Tip: Gift expenses are limited to \$25 per year, per recipient. To clear up confusion, the <i>IRS released Publication 463</i> in 2015.</p>	27
	Club & Organizational Dues	<p>Professional organizations, real estate boards, business leagues.</p> <p>Ex: MLS (Multiple Listing Service), National Association of Realtors, Local Board/Assoc. of Realtors, Chamber of Commerce</p> <p>Tip: You may instead include such fees under "Legal & Professional"</p>	27
	Education	<p>Ex: Continuing education classes, business-related seminars, workshops, and conferences. Also includes, business and motivational books.</p>	27
	Keys and Lockbox	Keys, Lockboxes, locksmith (Ex: SupraKey, EKey)	27
	Miscellaneous		27
	Listing & Selling Expenses	<p>Any expense related to ultimately close a real estate deal <i>that you personally incurred</i> (i.e. paid out of pocket, not reimbursed).</p> <p>Listing, Staging, Open house, Concessions, Appraisal or Inspection, Home Warranty, Notary fees, repairs or Maintenance.</p> <p>Ex: To get a deal to close, you paid for lawncare on a listing for which the homeowner never reimbursed you.</p> <p>Tip: Some of these fees may instead be recorded as advertising if you prefer.</p>	27
	Publications & Subscriptions	<p>Includes business-related magazines, journals and newspapers for your use (as opposed to client use, line 18)</p> <p>Ex: Huntsville Times or Wall Street Journal subscription</p>	27
Home Office Form 8829	Home Office	<p>There are two methods for deducting your home office IF you qualify: (1) Simplified/Standard OR (2) Actual. The choice depends mainly on which would net you the bigger tax deduction.</p> <p>Tip: We often recommend that realtors take the Standard because it is the simplest and valuable. Consult your CPA on how renting office space may affect your Home Office deduction and business/commuting mileage. It is possible to claim both desk rent fees AND Home Office Deduction.</p>	Form 8829
UNCOMMON EXPENSES			
CAR & TRUCK	You have only two options with respect to car expenses: (1) Actual expenses OR (2) Standard. Regardless of the method you choose, you are REQUIRED to keep a		
	Gas	<p>Rarely Applies: For RE Agents, it is almost always in your best interest to take the Standard Deduction (\$0.545 per mile in 2018) rather than <i>Actual Expenses</i>.</p> <p>Tip: Focus on keeping an accurate mileage log since an auditor will be suspicious of your mileage deduction.</p>	9

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	Other Auto Expenses	Ex: Insurance, maintenance & repairs, interest, tires, license and registration, depreciation or lease expense, parking fees, toll fees. Rarely Applies: Since most agents take the Standard , it is unnecessary to track these actual auto expenses.	9
COMMISSIONS & FEES	Commissions Paid	Rarely Applies: Commissions <i>paid by you</i> to other agents or other fee splitting arrangements if the total commission was reported to you.	10
EMPLOYEE BENEFITS	Employee Benefits	Ex: Includes accident and health plans, group term life insurance, and dependent care assistance programs. Rarely Applies: This rarely applies to Realtors	14
LEGAL & PROFESSIONAL	Legal and Professional	Legal, accounting, bookkeeping, virtual assistant, Business Coaching Ex: At least a portion of your tax preparation fee charged by your CPA EX: Business coaching	17
PENSION/ PROFIT SHARE	Pension & Profit Sharing	Rarely Applies: Includes contributions you made on behalf of your employees to certain retirement plans. Ex. Matching contributions to 401(k) plans	19
RENT	Vehicle & Machine	Any amounts paid for the rental or lease of a vehicle, machinery, or equipment. (such as computer or copier)	20a
	Rent Other	Amount paid for rent or lease of other property such as office space in a building. TIP: Realtors may include the fees associated with renting an office at their brokerage. Lastly, consult your CPA on how renting office space <i>may</i> affect your Home Office deduction and business/commuting mileage. It is possible to claim both desk rent fees AND Home Office Deduction.	20b
REPAIRS & MAINTENANCE	Repairs & Maintenance	Associated with business equipment, office space, and other property. Includes labor, supplies, and other items that do not add to the value of the property or increase the life of the property. EX: Laptop Repair TIP: There is a difference between a <i>repair</i> and an <i>improvement</i> . Unlike repairs and maintenance, an improvement adds value to the property and is considered a capital expense that must be depreciated and reported on Line 13. Depend on your CPA for reporting improvements.	21
TAXES & LICENSES	Employment Taxes	Rarely Applies: Rarely applies since most realtors are contractors receiving a 1099. Includes your share of Social Security and Medicare taxes, federal unemployment taxes (FUTA) and state unemployment taxes (SUI). Also, payments to a state unemployment fund or state disability benefit fund.	23
	Business License & Permits	Includes licenses and regulatory fees for the trade or business paid each year to state or local governments. Ex: Real Estate License renewal fee, Fingerprinting Fee	23
	Real Estate & Property Tax	Personal property tax paid on business assets (such as furniture, fixtures, office equip) Real estate taxes paid in buildings, land, other personal property. Rarely Applies: Rarely applies since most realtors work from home and/or their broker's office.	23
UTILITIES	Utilities	Ex: Electricity, gas, water, sewage, landfill for your business (NOT your home). Rarely Applies: You may not deduct utilities for your home office (Instead, you may deduct the portion of utilities used for your home office on Form 8829 (line 20). Further, most realtors work from home and/or their broker's office.	25
WAGES PAID	Wages Paid	Includes wages you paid to your employees (salaries, commissions, and bonuses). Rarely Applies: This does not include wages you paid yourself. And since most realtors hire a "contractor" (and issue a Form 1099) rather than an employee, this category rarely applies to realtors.	26

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