

Realtor's Comprehensive Deduction Checklist

4 pages

Expense Category

Subcategory

Description/Auditor Tips

Sch. C Line Item

COMMON EXPENSES

| Expense Category | Subcategory | Description/Auditor Tips | Sch. C Line Item |
|------------------|--|---|--------------------|
| ADVERTISING | Marketing | <p>Marketing materials: such as business cards, flyers, brochures, postcards, direct mail, posters, videos, CDs, DVDs.</p> <p>Promotional Items & Imprinted Small Gifts: Such items are considered promo items (such as magnets, pens, key chains) and are therefore not subject to the \$25 per year, per recipient Client Gift rule. Warning: Non-imprinted client gifts (reported on line 27) are subject to the \$25 limitation.</p> <p>Print Advertising: Print Ads such as Newspaper, Magazine, business directory, mailers, direct mail, etc....</p> <p>Networking: Networking events like professional luncheons.</p> <p>Sponsorship: If you receive advertising benefit from your sponsorship (Ex: ad in athletic program), then you may deduct the cost as advertising. 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> <p>Logo Clothing: Make sure the clothing prominently and clearly advertises your profession.</p> | 8 |
| | Online Advertising | <p>Online Platforms: Realtor.com, Trulia, Zillow, Facebook, Google, etc.</p> <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> | 8 |
| | Lead Generation | <p>Lead Generation /Ad Agency Fees: As part of an overall marketing strategy, some Realtors will subscribe to lead generation services or an advertising agency to develop an ad campaign. Ex: BoldLead, BoomTown, CRM Software</p> | 8 |
| | Signage | <p>Also includes magnetic/painted vehicle signs, outdoor directional signs, and indoor/outdoor banners, billboards, business cards. (Ex: "Coming Soon")</p> | 8 |
| | Website | <p>Fees paid to design, update, and host a website for your business. Also includes expenses for tracking hits and generating traffic reports. (Ex: GoDaddy)</p> | 8 |
| | Client Events | <p>Appreciation/Networking Events: Ex: Hosting a catered event where you invite clients and potential clients to show your appreciation and drum up new business. (decorations, music, etc) Tip: This is advertising expense rather than "Meals" expense, thus making the deduction more valuable to you since the IRs reduces "Meals" deduction by 50%.</p> | 8 |
| CONTRACT LABOR | <p>Contract Labor</p> <p>CLICK HERE for more info on 1099s</p> | <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 incurred in order to close a deal. Assistant, Photographer, Professional Stager, Videographer, etc. You could also include photographers under "Other Expenses: Listing Expenses"</p> <p>Ex: You pay to have listings professional staged and photographed.</p> <p>Ex: Unless your assistant is paid a wage (i.e. issued a w-2), then your assistant is a contractor.</p> <p>Warning: You MUST file Form 1099-NEC for any contractor you paid \$600 or more to during the tax year. Form 1099-NEC must be filed with the Fed, State, and contractor by January 31st. The penalty for late filing varies but begins at \$50 per 1099. The failure to issue the 1099 carries a minimum penalty of \$560 per 1099. Also, you must file a summary return with the Fed (Form 1096) and with the State (Alabama Form 96).</p> | 11 |

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| DEPRECIATION | <p>Depreciation</p> <p>\$2,500 de minimis Treasury Regulation § 1.263(a)-1(f)(1)(ii)</p> | <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> <p>NEW Tip: See Other Expenses: Equipment, de minimis</p> | 13 |
| INSURANCE | 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 | Software, Apps, & Subscriptions | <p>Software: CRM Software, Microsoft Office, Adobe</p> <p>Productivity Apps: MilesIQ, EverNote</p> <p>Subscriptions: DotLoop, Canva</p> <p>Online Storage Fees: Cloud, DropBox</p> | 18 |
| | Telephone (cell) | <p>Mobile phone service charges (i.e. The business portion of your cell phone bill is deductible.</p> <p>Tip: Speak with your CPA about recognizing some portion of your cell phone as personal use.</p> | 27 |
| | Broker Fees | <p>Ex: Monthly administrative fees payable to your broker. (Desk Rent, Administrative Fees, etc.) Tip: Sometimes E&O insurance is barred in broker fees; ideally you should report this on line 15 of Sch C.</p> | 18 |
| | Internet | Fees for internet use. Tip: Speak to your CPA about deducting some portion of your home internet as a business expense. | 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> | 18 |
| SUPPLIES | Office Supplies | <p>Office Supplies: Pens, scissors, paperclips, toner/ink cartridges, staplers.</p> <p>Accessories: desk calendars, wallboards, drawer organizer, briefcase/computer bag</p> <p>Small Job Supplies: Extension cords, chargers, Laptop bag, phone case</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 |
| 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 |

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| MEALS | Meals 2021 & 2022 Exception: Click HERE | <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>EXCEPTION: Per NEW IRS Guidance, some MEALS are 100% deductible in 2021 and 2022, rather than 50% deductible. Let CPA advise.</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 | Bank and Credit Card Fees such as service charges, ATM use, overdraft fees, annual fees, late payment fees | 27 |
| | Client Gifts IRS Publication 463 | Tip: Gift expenses are limited to \$25 per year, per recipient. To clear up confusion, the IRS released <i>Publication 463</i> in 2015. | 27 |
| | Professional 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 <i>may</i> instead include such fees under "Legal & Professional"</p> | 27 |
| | Education | Ex: Continuing education classes, business-related seminars, workshops, and conferences. Also includes, business and motivational books. | 27 |
| | Keys and Lockbox | Keys, Lockboxes, locksmith (Ex: SupraKey, EKey) | 27 |
| | Miscellaneous | | 27 |
| | Listing, Selling & Staging 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>Ex: You stage a listing's entry with a lovely front door wreath to welcome prospective buyers.</p> <p>Tip: Some of these fees may instead be recorded as <i>advertising</i> or <i>contract labor</i> if you prefer.</p> | 27 |
| Equipment, de minimis | <p>Ex: Laptop, camera, Desk, GPS, cell phone device, printers, furniture, vehicles, etc.</p> <p>**Certain equipment purchases are considered an investment and must be depreciated.</p> <p>NEW Tip: The new tax bill (passed December 2017) greatly expanded Section 179 and bonus depreciation, meaning much of these expenses can be deducted entirely in the tax year purchased. VERY exciting new for business owners. Rely on your CPA for this determination. See also \$2,500 de minimis Treasury Regulation § 1.263(a)-1(f)(1)(ii).</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 on more than just which option nets the bigger deduction.</p> <p>Tip: We often recommend that realtors take the Standard because it is the simplest yet still 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 mileage log. Assuming you take the <i>Standard Deduction</i> , you do not need to track actual car expenses such as gas and auto repairs. | | |
| | 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 unless you are the Broker/Owner. This is because split commissions are taken out of your gross commission BEFORE your net commission check is issued 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 filing a Sch C | 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 | 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 |

4 pages