



# Small Business Tax Credits

## SELF-EMPLOYMENT

Tax Deductions & Benefits  
For A Smaller Tax Bill

*Are you self-employed but loathe looking at your tax bill every year? It's safe to say you're not alone.*

---

## 1 The Home Office Deduction

If you permanently work from home or use part of your property in your business, you can get a deduction. For example, you could deduct a portion of your mortgage or rent, property taxes, or home repairs or maintenance to lessen your tax burden. All you must do is calculate the percentage of your home's square footage you use "exclusively and regularly" for your business, and voila—that's now a tax deduction. Is 20% of your home used for business? Then 20% of your housing expenses may be deductible.

## 2 Qualified Business Income

Out of the 2017 Tax Cuts and Jobs Act was born the qualified business income deduction, or QBI. This tax break allows owners of select businesses, like S corps, partnerships, and sole proprietorships to deduct up to 20% of their business's yearly income on their personal tax return. However, to be eligible, an individual must make \$163,300 or less, and joint filers must make less than \$326,600 combined.

## 3 Self-Employment Tax

Medicare and Social Security taxes that self-employed individuals make can be deducted as a self-employment tax. Different from income tax, self-employment tax rates are 15.3% of net earnings (which comes from 12.4% Social Security tax and 2.9% for Medicare). You can deduct half of this on your income taxes on your Form 1040 when tax time rolls around.

But since you work for yourself, you can save money on taxes where others can't. Comb through these **14 tax deductions you can claim** to help make your tax bill a little lighter the next time you file.

---

## 4 Retirement Savings

If you've ever considered a "solo 401(k)," then you may have a retirement-related tax deduction option. Contributions to a solo 401(k) or one-participant 401(k) can be tax-deductible. In 2021, the deductible sum is \$58,000—\$64,500 if you're over age 50—or 100% of your earned income (whichever is less).

## 5 Start-Up Costs

Has your business been operating for a year or less? The IRS allows you to deduct \$5,000 in business start-up costs during the first year of your active business or trade, although it's not fully encompassing. The \$5,000 max deduction can include but isn't limited to attorney fees, accountant fees, market research costs, and business location search costs within your first year of operation. Keep in mind, payments to consultants, accountants, attorneys, and similar partners are deductible at any time during your business endeavors.

## 9 Credit Card & Business Loan Interest

Look to your credit card or bank statements to see if tax deductions are waiting. Self-employed individuals can deduct interest accrued on any credit card business expense or business loan. Note: Expenses don't have to be tied to a business credit card to qualify. Generally, you can still deduct interest charges on a personal credit card.

## 6 Continuing Education

You've got to be sharp to run a business, and luckily, you can catch a tax break for investing in yourself. Self-employed individuals can deduct "qualifying work-related education" from their tax bill. The main qualifier here is the expenses must maintain or improve your skills needed for your present work. This can include classes, tuition, supplies, and more.

## 7 Rent

Just because you're self-employed doesn't mean you work from home. For those go-getters who lease an office space, you can deduct the total amount you pay for rent. Not only that, but you can deduct the amount paid for any work-related equipment that you rent. Just be aware, you can't deduct rent expenses on any property you own.

## 8 Subscriptions & Publications

Do you keep up with your industry's news and insights via a magazine, trade publication, online subscription, or even books? All these subscriptions and publications are entirely tax-deductible. Just be sure these subscriptions are relevant to your specialization or industry—the IRS doesn't take kindly to fibbers.

## 10 Advertising

Get your business's name out there and reap the tax benefits while doing it. You can get a tax break for any costs associated with promoting your business or services. This includes, but isn't limited to, social media advertising, online banner ads, billboards, print media, and business cards. Just look for the line on the Schedule C form to report your advertising expenses.

## 11 Business Travel & Meals

A flight across the country or a lunch across town, either way, both expenses can make for a tax deduction if they're for legitimate business purposes. It's not just flights and food; hotels, Airbnbs, Uber rides, and taxis can all qualify for a tax break. The slight downside is that these purchases aren't deductible for the spouse, children, or family of the self-employed taxpayer, so some simple math may be required to ensure the deduction is correct at year's end.

## 12 Mileage or Vehicle Expenses

Using a vehicle in your business makes you eligible to deduct operating expenses from your tax bill. You can also claim a standard mileage deduction, which can vary from year to year. For 2021, the mileage rate for business is 56 cents per mile driven. Pro tip: make sure you keep receipts and records of mileage and related purchases or services rendered to the vehicle for a quicker deduction process at tax time.

# 13 Office Supplies

Post-it notes, cleaning wipes, pens, printer ink—you name it. Everyday purchases that help your business run are tax-deductible. In most deduction situations, you deduct the cost of office supplies you've used during the tax year. Again, having an inventory or record of your office supply purchases will help alleviate potential future headaches once tax season rolls around.

# 14 Phone & Internet Costs

Self-employed taxpayers can deduct phone and internet expenses, but only those that are used for business. For example, if you work from home and pay \$1,200 a year for internet, then only \$600 is deductible since you presumably split your internet usage between business and personal. However, say you have a personal phone and a business phone with a separate \$850 yearly bill, then that \$850 is fully deductible.

## WE'RE HERE TO HELP

*These tax deductions can help you lighten your tax burden to help drive bigger business profits and a happier relationship with Uncle Sam. Still, you should always consult a trusted financial professional with any tax questions or concerns you may have. Please feel free to reach out to us to see how we can help you maximize your tax strategies.*

*Sources: Nerdwallet, Investopedia, Kiplinger, US News, Forbes*

Investment advisory and financial planning services are offered through Alphastar Capital Management LLC ("Alphastar"), a SEC registered investment adviser. SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the adviser or investment adviser representative has attained a particular level of skill or ability. Additional information about Alphastar Capital Management, LLC is also available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). ILG Financial LLC and Alphastar Capital Management, LLC are separate and independent entities. The firm only transacts business in states where it is properly registered or is excluded or exempted from registration requirements. ILG Financial LLC offers insurance products through individuals licensed to sell insurance. Comments regarding guaranteed returns or income streams refer only to fixed insurance products offered by ILG Financial LLC and, unless specifically stated, do not refer in any way to securities or investment advisory products offered by Alphastar. Fixed insurance and annuity product guarantees are subject to the claims paying ability of the issuing company and are not offered or guaranteed by Alphastar.



100 Oakridge Drive  
Stafford, VA 22556  
Phone: (540) 720-5656  
Email: [info@ilgfinancial.com](mailto:info@ilgfinancial.com)  
Website: [www.ilgfinancial.com](http://www.ilgfinancial.com)

100 Oakridge Drive  
Stafford, VA 22556  
Phone: (540) 720-5656  
Email: [info@ilgfinancial.com](mailto:info@ilgfinancial.com)  
Website: [www.ilgfinancial.com](http://www.ilgfinancial.com)