

# Deductible or Not?

## Schedule C



### 2008 NATP-MI Fall Seminar

Presented by  
Alice Orzechowski CPA CMA EA  
Marilyn Meredith EA



## #1 – Converting Asset to Personal

Recapture Section 179 in excess of allowable MACRS

Form 4797 Instructions

©2008 Alice Orzechowski CPA LLC



## #2 – Start up Costs

Currently deductible  
Pub 535 – page 23

©2008 Alice Orzechowski CPA LLC

## What if start up costs were \$32,018

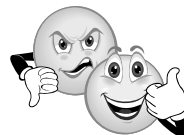
Deduct \$5,000  
Amortize balance over 15 years

©2008 Alice Orzechowski CPA LLC

## What if start up costs were \$320,018

Amortize over 15 years

©2008 Alice Orzechowski CPA LLC



## #3 - Contributions

\$500 Deductible on Schedule A  
\$50 Deductible on Schedule C  
Pub 535 – Page 42

©2008 Alice Orzechowski CPA LLC



## #4 – Advertising

Personal use not deductible.

Pub 334 – page 29

©2008 Alice Orzechowski CPA LLC



## #5 – Home Office Interest

Interest on entire \$2.5 million deductible

Form 8829 Instructions

See instructions for columns (a) and (b) before completing lines 9-21.

	(a) Direct expenses	(b) Indirect expenses
9		
9		
10		
10		
11		
11		
12		
12		
13		
13		
14		
14		
15		
15		
16		
16		
17		
17		
18		
18		
19		
19		
20		
20		
21		
21		
22		
22		

©2008 Alice Orzechowski CPA LLC



## #6 – Sales Tax

Capitalize – cost of property  
Schedule C Instructions

©2008 Alice Orzechowski CPA LLC



## #7 – Handicap Accessible

Deductible if under \$15,000  
Otherwise depreciate over 39 years  
Or claim handicap accessible credit  
Schedule C Instructions

©2008 Alice Orzechowski CPA LLC



## #8 – Golf Sponsorship

Depends where company does business  
Just Minnesota – not deductible  
Nationwide - deductible  
Pub 535 – page 42

©2008 Alice Orzechowski CPA LLC



## #9 – Cash Basis Contractor

Not deductible until house built  
Reg 1.162-3

©2008 Alice Orzechowski CPA LLC

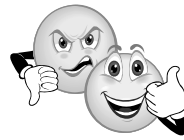


## #10 – Painting Contribution

Not Deductible on either  
Schedule A or Schedule C

Pub 526 – page 6

©2008 Alice Orzechowski CPA LLC



## #11 – Penalty & Interest

Penalty not deductible

Pub 535 – Page 44

Interest deductible

Pub 535 – Page 12

©2008 Alice Orzechowski CPA LLC



## #12 – Home Equity Interest

Deductible under  
“interest tracing rules”

Pub 535 – page 11

©2008 Alice Orzechowski CPA LLC



## #13 – Business Lunch Receipts

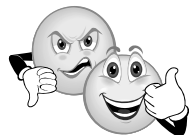
If under \$75 need

- Amount
- Time
- Place
- Business Purpose

Otherwise also need receipt

Pub 463 – page 25

©2008 Alice Orzechowski CPA LLC



## #13 – Travel No Receipts

$\$45 \times 2.5 \text{ days} \times 50\%$

Must have receipt for lodging

Code Section 274

©2008 Alice Orzechowski CPA LLC



## #15 – Health Insurance

Not deductible on Schedule C

Schedule C Instructions

Adjustment to Income

Supplemental Health  
Long-term Care

©2008 Alice Orzechowski CPA LLC



## #16 – Life & Disability Insurance

Not Deductible

Pub 334 – page 35

©2008 Alice Orzechowski CPA LLC



## #17 – Tax Prep Fee

Only part deductible on Schedule C

Rev Rul 92-29

©2008 Alice Orzechowski CPA LLC



## #18 – Rent to Business

Not Deductible

Rent is amounts paid for use of property you do NOT own

Pub 334 – page 36

©2008 Alice Orzechowski CPA LLC



## #19 – College Tuition

Probably Not Deductible

Might be able to deduct a few individual classes

Pub 970 – Page 59

©2008 Alice Orzechowski CPA LLC



## #20 – Gambling Activities

Probably not a business

Must be:

Regular

Continuous

Profit Motive

©2008 Alice Orzechowski CPA LLC



## #21 – Section 179 Schedule C Loss

On joint return – taxable incomes of both spouses aggregated

Reg 1.179-2(c)(7)

©2008 Alice Orzechowski CPA LLC



## #22 – Leased Machine

Lease payment not deductible  
Considered a lease/purchase  
Depreciate or take Section 179  
Rev Proc 2001-28 & 29

©2008 Alice Orzechowski CPA LLC



## #23 – Unclaimed Depreciation

File Form 3115

Form 3115 Instructions

©2008 Alice Orzechowski CPA LLC



## #24 – Cell Phone

Only business percent deductible  
Depends on her log  
Reg 1.274-5T(b)

©2008 Alice Orzechowski CPA LLC



## #25 – Section 179 Used Asset

Section 179 allowed  
50% Bonus not allowed

Code Section 179

©2008 Alice Orzechowski CPA LLC



## #26 – EIN Needed

No – Only if  
Employees  
Pension Plan

Pub 334 – Page 5

©2008 Alice Orzechowski CPA LLC



## #27 – Costs to complete real estate sale

Deductible  
Ordinary and necessary

©2008 Alice Orzechowski CPA LLC



## #28 – Uncollected Income

Not deductible – cash basis

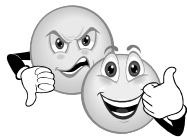
Pub 334 – Page 31

©2008 Alice Orzechowski CPA LLC

## #29 – How could a Schedule C ever be a passive activity?

Hire a manager and let it run itself

©2008 Alice Orzechowski CPA LLC



## #30 – Stimulus Payment

Not enough information  
Does NOT depend on gross receipts  
Depends on net profit and/or W-2

Rev Proc 2008-21

©2008 Alice Orzechowski CPA LLC