

Deductible or Not?

Schedule C



2008 NATP-MI Fall Seminar

Presented by
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#1 – Converting Asset to Personal

Recapture Section 179 in excess of allowable MACRS

Form 4797 Instructions

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#2 – Start up Costs

Currently deductible
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What if start up costs were
\$32,018

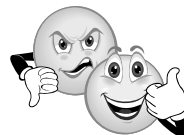
Deduct \$5,000
Amortize balance over 15 years

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What if start up costs were
\$320,018

Amortize over 15 years

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#3 - Contributions

\$500 Deductible on Schedule A
\$50 Deductible on Schedule C
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#4 – Advertising

Personal use not deductible.

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#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
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#6 – Sales Tax

Capitalize – cost of property
Schedule C Instructions

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#7 – Handicap Accessible

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

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#8 – Golf Sponsorship

Depends where company does business
Just Minnesota – not deductible
Nationwide - deductible
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#9 – Cash Basis Contractor

Not deductible until house built
Reg 1.162-3

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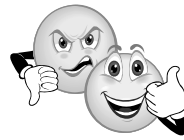


#10 – Painting Contribution

Not Deductible on either
Schedule A or Schedule C

Pub 526 – page 6

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#11 – Penalty & Interest

Penalty not deductible

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Interest deductible

Pub 535 – Page 12

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#12 – Home Equity Interest

Deductible under
“interest tracing rules”

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#13 – Business Lunch Receipts

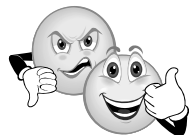
If under \$75 need

- Amount
- Time
- Place
- Business Purpose

Otherwise also need receipt

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#13 – Travel No Receipts

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

Must have receipt for lodging

Code Section 274

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#15 – Health Insurance

Not deductible on Schedule C

Schedule C Instructions

Adjustment to Income

Supplemental Health

Long-term Care

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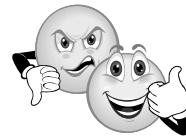


#16 – Life & Disability Insurance

Not Deductible

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#17 – Tax Prep Fee

Only part deductible on Schedule C

Rev Rul 92-29

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#18 – Rent to Business

Not Deductible

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

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#19 – College Tuition

Probably Not Deductible

Might be able to deduct a few individual classes

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#20 – Gambling Activities

Probably not a business

Must be:

Regular

Continuous

Profit Motive

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#21 – Section 179 Schedule C Loss

On joint return – taxable incomes of both spouses aggregated

Reg 1.179-2(c)(7)

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#22 – Leased Machine

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

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#23 – Unclaimed Depreciation

File Form 3115

Form 3115 Instructions

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#24 – Cell Phone

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

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#25 – Section 179 Used Asset

Section 179 allowed
50% Bonus not allowed

Code Section 179

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#26 – EIN Needed

No – Only if
Employees
Pension Plan

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#27 – Costs to complete real estate sale

Deductible
Ordinary and necessary

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#28 – Uncollected Income

Not deductible – cash basis

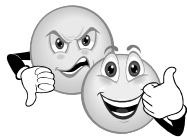
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#29 – How could a Schedule C ever be a passive activity?

Hire a manager and let it run itself

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#30 – Stimulus Payment

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

Rev Proc 2008-21

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