

Top 10 Small Business Deductions

Your 2025 Guide

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Small business taxes can feel overwhelming, but they don't have to be. The truth is, there are plenty of deductions available that can help lower your tax bill – you just need to know where to look. That's why we put this guide together. Our goal is to help you keep more of what you earn and feel confident about your finances.”

**Victoria
Haas**
Owner



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Tax Deduction #1

Pay Your Kids – A Tax Benefit (If Done Right)

If you own a small business and have kids, hiring them can be a smart tax move – but it has to be done correctly. Instead of giving them an allowance or covering their expenses out of your personal funds, you can pay them through your business and deduct it as a business expense.

The best part? If they make less than the standard deduction (\$15,000 for 2025), they won't owe federal income taxes on that money.

However, this isn't as simple as cutting them a check. The IRS has specific rules to ensure compliance. Your child must actually work in the business and perform legitimate tasks. You need to document their hours with a time sheet or payroll records, and their wages must be reasonable for the work performed. That means you can't pay them \$10,000 for sweeping the floor once a week.

Payments should be made through payroll, not cash under the table, and if your business is structured as an S-corp or C-corp, payroll taxes must be withheld.

Tax Deduction #2

Home Office Deduction

If you run your business from home, you might be able to deduct part of your home expenses – like rent, mortgage interest, utilities, and internet. This can add up to significant tax savings, but there are some rules to follow.

Who Qualifies? The IRS says your home office must be regularly and exclusively used for business. That means if your “office” is also your dining table, it won’t qualify. But if you have a dedicated space (even a small section of a room), you’re good to go.



Tax Deduction #3

Business Mileage

Do you drive for business? Whether it's meeting clients, running work errands, or traveling between job sites, those miles can lower your tax bill.

✔✔ What's Deductible?

- Driving to client meetings
- Business-related errands (bank runs, picking up supplies, etc.)
- Traveling between offices or job sites

✔✔ How to Calculate It

There are two ways to deduct mileage:

- **Standard Mileage Rate:** In 2025, it's 70 cents per mile. So if you drive 5,000 business miles, you get a \$3,500 deduction.
- **Actual Expenses:** You track all car-related costs (gas, insurance, maintenance, depreciation) and deduct the percentage used for business.

✔✔ Tracking Is Key

The IRS requires records, so use an app like MileIQ or QuickBooks Self-Employed to track your business trips.

Tax Deduction #4

Section 179 Deduction

If your business buys equipment, vehicles, or machinery, Section 179 lets you deduct the full cost in the year you buy it, instead of spreading it out over several years.

What Qualifies?

- Computers, office furniture, and equipment
- Business vehicles (over 6,000 lbs like trucks or SUVs)
- Machinery and tools

Let's say you purchase a work truck for \$50,000 in 2025. If it's an SUV under 14,000 pounds, you can deduct up to \$31,300 under Section 179. If it's a cargo van with minimal passenger seating, you may be able to deduct the full amount. It's important to note that personal use vehicles do not qualify for this deduction, and you must track your business versus personal mileage for compliance.

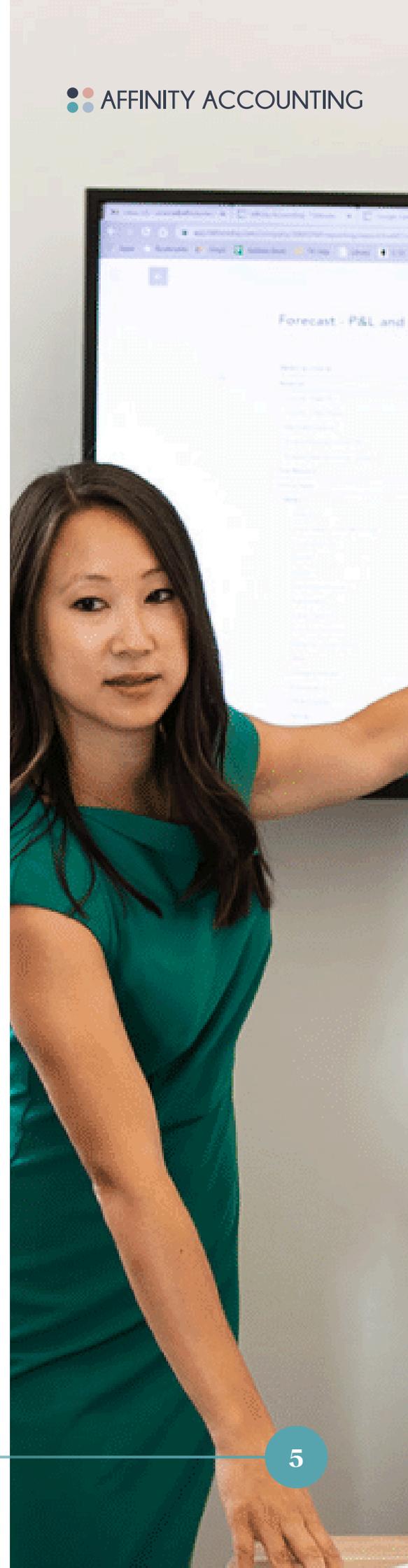
Tax Deduction #5

Educational Expenses, Subscriptions & Dues

Investing in your skills and staying connected in your industry can also lower your tax bill.

If you take business-related courses, attend workshops, or earn certifications to improve your skills, those expenses can be deducted. The same goes for industry memberships, like joining a chamber of commerce or a trade group that helps you stay connected and informed.

Even professional software subscriptions, like QuickBooks for bookkeeping or Adobe Creative Suite for design work, can count as deductible business expenses.



Tax Deduction #6

Health Insurance Premiums

If you're self-employed, you can deduct 100% of your health insurance premiums – including coverage for your spouse and dependents.



How It Works

Let's say you pay \$8,000 in health insurance premiums for the year. That's an \$8,000 deduction, reducing your taxable income.



What It Covers

It's important to note that this deduction applies to medical, dental, and even long-term care insurance. If you're paying for your own coverage, every dollar counts – so make sure you're taking full advantage of this tax break.

Tax Deduction #7

Retirement Contributions

Saving for retirement can lower your taxes now while helping your future self.

As a small business owner, you have several options that allow you to save while reducing your taxable income. A Solo 401(k) is a great choice if you're self-employed, allowing you to contribute up to \$69,000 in 2024, depending on your income.

Another option is a SEP IRA, which lets you contribute up to 25% of your net earnings – a flexible way to put aside significant savings. If you prefer a Traditional IRA, your contributions may be tax-deductible, though the deduction depends on your income and whether you have access to another retirement plan.

For example, if a self-employed consultant earns \$100,000 and contributes \$20,000 to a Solo 401(k), their taxable income drops to \$80,000. That not only means significant tax savings now but also a stronger financial foundation for the future.

Tax Deduction #8

Internet & Phone

If you use the internet and phone for business, you can deduct part (or all) of the cost, making it a valuable but often overlooked tax break.

Whether you're taking client calls, handling emails, running a website, or managing online marketing, these expenses are necessary to keep your business running – and the IRS allows you to deduct the business portion.

Determine how much you can deduct - You need to estimate the percentage of your phone and internet use that is strictly for business. If 80% of your usage is business-related, then 80% of your total bill is deductible. This applies whether you have a dedicated business line or you're using a personal phone for work.

For example - If your phone bill is \$100 per month and your internet bill is \$80 per month, that's a total of \$180 per month or \$2,160 per year. If 80% of that use is for business, you can deduct \$1,440 per year on your taxes.

Tax Deduction #9

Social Security – Deduct 1/2 of Self- Employment Tax

When you're self-employed, you don't just pay income taxes – you're also responsible for self-employment tax, which covers both Social Security and Medicare. Unlike W-2 employees, who have half of these taxes covered by their employer, self-employed individuals pay the full 15.3% (12.4% for Social Security and 2.9% for Medicare). However, the IRS allows you to deduct half of your self-employment tax when calculating your adjusted gross income (AGI), which lowers your overall taxable income.

- For example, if your self-employment tax for the year is \$10,000, you can deduct \$5,000 from your taxable income.
- This deduction applies before you calculate your standard or itemized deductions. That means every self-employed person can take advantage of it, regardless of their total deductions for the year.

Tax Deduction #10

Bonus Depreciation

Like Section 179, bonus depreciation lets you deduct the cost of big purchases immediately, but it applies to a broader range of assets.

✓✓ What's covered?

- New and used equipment
- Computers and office furniture
- Leasehold improvements

✓✓ Example

You buy \$30,000 in equipment for your business. Under 2025 tax rules, only 40% of the cost (\$12,000) can be deducted immediately as bonus depreciation. The remaining 60% (\$18,000) must be depreciated over future years based on standard IRS schedules.

✓✓ Important to note

Unlike previous years when 100% bonus depreciation was available, the amount has been reduced. In 2025, businesses can only deduct 40% of the cost of eligible assets, with the remaining amount depreciated over time.