Often Overlooked Tax Deductions
by Esco Buff, PhD, APF, CF

The daily costs of running a farrier business can quickly result in large yearly expenses. The US Internal Revenue Service (IRS) recognizes that running a business can be expensive. The IRS allows you to deduct these expenses on your income tax returns so that the money used for expenses is not taxed as income. Many small business owners miss many allowable tax deductions due to not being aware of them, being too rushed due to last minute frantic tax filing and /or having less than knowledgeable income tax preparer's.

Income tax deductions can greatly reduce your taxable income and can be useful strategies for reducing your US federal income tax. Some deductions can be claimed directly on the income tax form, while other deductions can be claimed only if you itemize your income taxes. In the US, there are two ways to file your deductions on an income tax form. You can file using the standard deduction which is the amount that the IRS establishes annually for each taxpayer and your filing status, or itemize your deductions if you have expenses that will produce a larger tax break.

Here is a list of legal and often overlooked tax deductions. Included are some personal deductions that are also commonly overlooked. I would suggest that you look further into what is and is not deductible before claiming any deduction on your income tax forms. This can be a somewhat complicated area, so please consult your tax professional or the IRS website if you have any questions.

- Casualty and Theft losses from automobile accidents.
- Casualty and Theft losses to replace tree and shrub damage by storms or fires.
- Health premiums.
- Medicare premiums and supplemental Medicare policies can be deducted as long as you still run your business.
- Contributions to Keogh, SEP and Simple retirement plans.
- Dues to the Chambers of Commerce and similar organizations if the membership helps you carry out your farrier business.
- Books, trade journals and publications used in your business.
- Reading material that is directly relevant to your business such as subscriptions to magazines, newspapers or newsletters.
- Internet and web page fees.
- Alimony paid to a former spouse.
- Any equipment with a useful life in your business for more than one year is considered a capital or long-term asset and the value can be depreciated over the equipment's useful life.
- Expenses incurred to analyze new products such as testing out new tools or shoes.

- Reasonable costs incurred to provide information that would eliminate uncertainty about the development or improvement of a product, invention, patent, technique, process, or model.
- Any coffee, bottled water and food you provide to clients.
- Gifts with a value of up to $25.00 to any one person per year.
- Half of your Meals and Entertainment costs for business purposes. You need to keep a record of the date, place, amount of expenses, people present, business purpose, and business discussed.
- Out-of-pocket costs incurred while doing work for a charity such as ingredients for food you prepare for a nonprofit organization. If you drove your vehicle for charity, you can deduct the standard mileage per mile deduction as well as parking and tolls paid.
- Car insurance.
- Start-up expenses which include the first $5,000 of the costs of launching your business or acquiring a new business, including forming an entity for the new business.
- Debt from unpaid services you provided.
- Bank fees, bank account fees, and check printing fees.
- Credit card processing fees.
- Interest on mortgages, lines of credit and credit cards.
- If you use part of your home for business, you may be able to deduct part of the expenses for the business use of your home including any expenses associated with your home office such as mortgage interest, rent, real estate taxes, repairs, utilities (electricity, heat, water, gas, refuge service), security system, and upkeep expenses
- Automobile excise taxes can be deducted if you itemize your taxes.
- Many of the taxes you pay in the course of running your business are deductible.
- One-half of self-employment taxes. This is not a business deduction but is deductible on your personal income tax return.
- State and Local income taxes paid or applied during the year. This is particularly important to you if you live in a state that does not impose a state income tax. You have a choice between deducting state income taxes paid or state sales taxes paid, whichever gives you the largest deduction. The IRS has tables that show how much residents of various states can deduct, based on their income and state and local sales tax rates. In some States, you may even deduct sales tax paid from the purchase of a vehicle.

This is by no means a complete list at all, rather a list of some of the most common deductions that many people are not aware that can be deducted from your income taxes.