As a licensed real estate agent, you will generally be treated as self-employed and allowed to deduct your business expenses from your business income. To maximize your business profits, you need to be aware of all the tax deductions and tax breaks to which you’re entitled. Review these tax tips; then contact us for assistance with tax planning suited to your specific situation.

1. **One of your major deductible expenses is the business use of your car.** You may compute your deduction using either of two methods: the actual cost method or the standard mileage method.

   With the actual cost method, you may deduct the actual expenses of operating your car for business. This includes gas, tolls, insurance, parking, repairs, maintenance, license, loan interest, and depreciation.

   With the standard mileage method, you simply multiply your business miles driven during the year by the IRS’s standard rate for the year. You can also deduct related tolls, parking fees, and the business portion of interest expense on your car loan.

2. **Before choosing the method for deducting car expenses,** consider the tax consequences of each method. The price for using the mileage rate’s simplicity may be lost deductions.

3. **You can switch to the actual cost method for car expenses** even if you started with the standard mileage rate. However, once you begin using the actual cost method on a vehicle, you can’t switch to the standard mileage rate for that vehicle.

4. **Keep adequate records for travel, meal, and entertainment expenses.** Out-of-town travel to conventions, meetings, and other business events is deductible, including the cost of lodging, local transportation, and miscellaneous expenses (laundry charges, phone calls, etc.).

   Business travel is fully deductible; business meals and entertainment are only partially deductible. Substantial and bona fide business discussion must take place directly before, during, or after the meal or entertainment event.

   Your records must show amount spent, date, time and place, business purpose, and names and business association of individuals involved.

5. **Though most business meals are only 50% deductible,** there are exceptions to this rule. For example, the cost of food and beverages provided at your company picnic or at an open house you sponsor is 100% deductible.

6. **Don't overlook deductions for such expenses** as stationery, business cards, advertising, and business promotional items (e.g., pens, calendars, banners at sponsored events).

7. **As a self-employed taxpayer,** you are permitted to take a special “above-the-line” deduction for the health insurance premiums you pay for yourself and your family.

8. **Take business-use deductions.** If you have items used partly for business and partly for personal, you may deduct the business use portion.
9 **Continuing education expenses are deductible.** Keep track of them.

10 **You can take a deduction for dues paid** for business-related memberships in professional and public service organizations. Dues to such organizations as country clubs, golf and athletic clubs, airline clubs, and hotel clubs are not deductible.

11 **You can elect to expense a certain amount of equipment costs** in the year of purchase. Any amount you expense reduces your tax basis for depreciation. The expensing election applies to the purchase of a car, too, but with certain dollar limits and only if you use the actual cost method for car expenses.

12 **Hire your children.** If you need help in your business, consider hiring your children. The wages you pay will be deductible by you and taxable to your children in their presumably lower tax brackets. Wages paid to your children under age 18 are not subject to payroll taxes unless you operate as a corporation.

13 **You might qualify for special tax breaks** if you hire your spouse to work for you. For example, if your spouse accompanies you on business trips for valid business reasons, you can deduct his or her expenses along with your own. Investigate other benefits including a Section 105 plan to be able to deduct 100% of your family’s out-of-pocket medical expenses.

14 **If you conduct your business from your home,** you may be entitled to a deduction for home-office expenses. You may qualify to write off the business portion of your home utility bills, insurance, maintenance, and other expenses. The requirements for deductibility are very strict; get details if you think you might qualify.

15 **Don't miss the self-employment tax deduction.** Self-employed taxpayers pay a self-employment tax which is the equivalent of both the employer and employee portions of FICA tax. Don’t overlook the deduction you’re allowed for 50% of the self-employment tax you pay.

16 **To encourage referrals from clients,** you might give new home or closing gifts. You are allowed a limited tax deduction for gifts.

17 **Keep good records.** Good recordkeeping is essential, not only for tax reporting purposes, but also for your success as a real estate agent.

18 **Check out the benefits of a retirement plan.** Contributing to a retirement plan can reduce your tax bill and build a nest egg. Investigate the different types of plans, and choose the one that fits your business best.

19 **In addition to a retirement plan for your business,** you might also qualify for an individual retirement account. If you do, compare the relative benefits of a traditional IRA versus a Roth IRA (if you qualify for both). With a traditional IRA, you get a current tax deduction for your contributions, and you are taxed on withdrawals at retirement. With a Roth IRA, your contributions are not deductible, but qualifying withdrawals are completely tax-free.

20 **Don't underpay your taxes.** There is no income tax withholding on self-employment income, but that doesn’t mean you’re not required to pay taxes during the year. Self-employed individuals generally are required to pay taxes through quarterly tax payments due April 15, June 15, September 15, and January 15 of the following year. Set up quarterly estimated tax payments and make these payments on time. Late or inadequate payments mean you’ll be assessed penalty and interest charges in addition to your income tax liability.

21 **Always take a sensible approach** when it comes to tax planning. Your business activities and purchases should have economic merit without the tax considerations. However, taxes are a fact of life. The truth of the matter is that a little planning can often save a lot of money.

*The information in this brochure is of a general nature and should not be acted upon without further details and/or professional assistance.*

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**TULSA TAX COACH**

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