

Some common deductions for realtor's

What can you deduct?

An expense that is ordinary and necessary or directly related to your business; and reasonable in amount (Internal Revenue Code Section 162).

An expense doesn't have to be indispensable to be necessary; but it does need help your business in some way. Even a one-time expenditure can be ordinary and necessary.

Personal expenses cannot be deducted if you buy something for both personal and business use, you can deduct only the business portion of the expense. For example, if you buy a computer or a cellular phone and use it half of the time for personal use you can deduct only half of the cost as a business expense.

As a general rule an expense is reasonable unless there are more economical and practical ways to achieve the same result. If the IRS finds that your deductions are unreasonably large, it will disallow them or at least disallow what it finds unreasonable.

The following is a checklist of deductions common for real estate agents and brokers:

advertising expenses, including websites, mailing lists, newspaper advertising, fliers, online advertising, postcards, promotional materials, logo clothing, and anything else you pay for to market your real estate business, bookkeeping, accounting and legal fees; business gifts (up to \$25), business meals and entertainment (only 50% deductible), car and truck expenses, including business mileage, depreciation, insurance, interest on car loans, lease payments, license plate fees, parking expenses, and tolls, cell phones, computer software, computers, desk fees, education to maintain or improve required skills (but not courses you take to pass the real estate licensing exam), home office expenses (if you qualify), insurance, including health insurance, errors and omissions insurance, business liability insurance, business equipment insurance; interest, such as interest for business loans, interest paid on business credit cards, Internet access fees, map books; office equipment (cost may be deducted in one year using bonus depreciation), office expenses, including rent, cleaning and maintenance, and utilities; office supplies, postage, professional dues and fees (multiple listing service), dues and dues paid to the local Chamber of Commerce, Realtor associations, real estate license renewal fees, referral fees and commission rebates, retirement plan contributions, subscriptions to professional journals; real estate franchise fees, taxes, including payroll taxes for employees, state and local business taxes; telephone service fees, travel to business conventions, including transportation, lodging and food.