

Typical Tax Deductions for Realtors

1. Automobile Costs

Either actual expenses or the mileage rate deduction is available. For most realtors the mileage rate deduction gives you the greater tax benefit. For 2008, the mileage rate is 58.5¢/ mile.

2. Education Costs

The costs for continuing education once you receive your real estate license are 100% deductible. The costs for education prior to becoming licensed are not deductible.

3. Meals & Entertainment

Ordinary meals and entertainment expenses sustained in the course of business are tax deductible subject to a 50% reduction. It is important to document who you dined with and the business purpose on all receipts.

4. Equipment Purchases

The costs of business assets (computers, printers, office furniture, etc.) which are expected to be used for more than one year are depreciated over the life of the assets. Section 179 of the Internal Revenue Code allows these assets to be deducted in the year of purchase if the total amount purchased in the year is under \$250,000.

5. Contract Workers/Outside Services

If you pay \$600 or more to an individual for business related services (i.e. a closing coordinator, buyer's agent, seller's agent,) you are required to send that person a Form 1099. This form must be furnished to the individual by January 31st each year.

6. Health Insurance

100% of any health insurance premiums paid if you are self-employed is deductible. You can also deduct premiums paid to cover your spouse and dependents, unless your spouse's employer provides coverage.

7. Other Deductions

Most other expenses related to your business are deductible if ordinary and necessary. These deductions include ABOR, TREC, MLS, signage, flyers, business cards, advertising, lockboxes, office supplies, postage, etc.

8. Legal and Professional

Costs paid to attorneys, certified public accountants, and business coaches related to your real estate business are deductible expenses.

9. Telephone

Costs for business lines into your office are 100% deductible. Cell phone costs are deductible for the business use portion of your calls. If you have a home office the cost of the first phone line into your home is never deductible. The costs, for any long distance calls on this first phone line, are deductible if business related.

10. Home Office Deduction

If you work out of your home exclusively, you are able to deduct a portion of the following expenses: mortgage interest, property taxes, property insurance, utilities, HOA dues, repairs and maintenance. This deduction is based upon the square footage of the area used for business vs. the total square footage of the home.

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