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# TAX DEDUCTIONS FOR BROKERS YOU MAY NOT BE AWARE OF

The annual 1099-MISC, Miscellaneous Income statement provided by your agency does not always tell the whole story. The amount reported on your 1099 may include amounts that you did not actually receive. Often times, there is an accompanying statement of activity. This supplemental statement will provide important tax information, including the following tax deductions.

### **Cold Callers and Administration Staff**

Do you know who pays your sales and office assistants? Does the company pay their salary, or does their pay come out of your pocket?

If it does come out of your pocket, it should be reflected on the supplemental statement that accompanies your 1099-MISC. In this case, these payments should be reported as a deduction on your or your company's income tax return.

### **Prospecting Lists and Other Advertising and Marketing Expenses**

This is a deduction that many brokers overlook. However, the lifeblood of your business - the prospecting phone lists and national and local brand advertising you pay so dearly for - are deductible if you purchase them using your own money and you are not reimbursed by the firm. These payments should also be reflected on the activity statement and a deduction on your or your company's income tax return.

## **Home Office**

A home office is deductible. This means that you can deduct the portion of your home used as a home office on your return. Be aware, however, that when you sell your property, the sale is subject to depreciation recapture. Most homeowners understand that under certain circumstances, the sale of their personal residence is not taxable. When you take the home office deduction, the amount that you deducted as depreciation is taxable to the extent that there is a gain on the sale of your house even though the sale would not otherwise be taxable.

There is no way to avoid recapture! You must recapture the amount of depreciation that is allowed or allowable. Some professionals advocate forgoing the depreciation and I say NONESENSE. If you are going to have to take the amount into income no matter what, you may as well take the deduction.

## **Internet, Computer, Telephone, and Cell Phone**

Do you use these items at home to prospect or research competition? The percentage of business use for these items and associated monthly service fees may be deductible. If the computer and/or cell phone are used solely to enhance your business, you can depreciate these costs. Note: An internet connection at work can also be deducted if it is used for business purposes, and is not reimbursed by the firm.

## **Tolls, Parking, and Travel**

Tolls and parking costs are deductible if they are incurred while traveling to see a client. If you spend money on airfare and/or hotels to attend educational seminars or industry conferences, your travel expenses may also be deductible. Keep track of all miles driven for work purposes to receive a deduction for the business use of your vehicle. Make sure that you document the business purpose and keep contemporaneous records.

## **Books/periodicals**

Money spent purchasing books or periodicals that help you to hone your sales techniques or educate you about finer points of the business can all be deducted.

### *Uniforms*

Sorry, but if you wear a suit to work, it's not deductible. However, if you have to wear a uniform, say a golf shirt with a company logo on it, and the company does not reimburse you for the expense, it is considered a uniform and is deductible.

## **Postage**

Do you ever mail any sales literature to your clients on your own dime? If you do, consider this a deductible expense. Small expenses add up through the year.

## **Advertising**

Do you advertise or send out fliers about your expertise and services or print your own business cards using your personal funds? This can be deducted from your taxable income as well.

## **Office supplies**

Pens, paper, printers, fax machines, copiers, scanners, computers, monitors and software are all deductible on your return if you paid for the items yourself.