

MULKO ACCOUNTING, TAXATION AND  
CONSULTING LLC

# 5 OVERLOOKED DEDUCTIONS FOR SMALL BUSINESS



# CONTENT

## Deduction #01

TRACK & DEDUCT HOME OFFICE EXPENSES

## Deduction #02

MAXIMIZE TRAVEL & TRANSPORTATION  
DEDUCTIONS

## Deduction #03

DEDUCT HEALTH INSURANCE PREMIUMS

## Deduction #04

LEVERAGE RETIREMENT CONTRIBUTIONS

## Deduction #05

HIRE SMART — FAMILY MEMBERS

# INTRODUCTION



**As a business owner,** every dollar counts. But according to the IRS, *thousands of small businesses overpay taxes each year* because they don't take advantage of deductions available to them.

This short guide gives you 5 practical, IRS-approved tax hacks that may help you reduce your taxable income and keep more of what you earn.





# #01

TRACK AND DEDUCT  
HOME OFFICE EXPENSES



# TRACK AND DEDUCT HOME OFFICE EXPENSES

You usually can't write off everyday home costs like rent, mortgage, utilities, or insurance as business expenses. But if you have a dedicated space in your home used only for work, you may qualify for a home office deduction. In that case, you can deduct part of those expenses, though the amount you can claim has certain limits.

**To claim the home office deduction, you need to use part of your home for business under specific conditions. For example, it must be:**

- A space you use regularly and only for work, and it's your main place of business.

- A place where you meet clients, patients, or customers as part of your work.
- A separate structure on your property (like a garage or studio) that's used for business.
- A space used on a regular basis for storing inventory or product samples.
- A space used for rental activities.
- A space used as a daycare facility.

**Pro Tip:** Keep detailed records (photos, floor plans, bills).



# #02

MAXIMIZE TRAVEL &  
TRANSPORTATION  
DEDUCTIONS

# MAXIMIZE TRAVEL & TRANSPORTATION DEDUCTIONS

As a business owner, you'll often spend money getting from one place to another. The IRS allows deductions for many of these costs, but it's important to understand the difference between travel expenses and transportation expenses—two categories that are related but not the same.

**Travel expenses** cover the ordinary and necessary costs of being away from your tax home overnight for business purposes. This might include airfare, lodging, meals, and other costs tied to your trip.

**Transportation expenses**, on the other hand, apply when you are not away overnight but still incur costs moving around for work. This could be driving to meet clients, taking public transportation to a business meeting, or traveling to a temporary work location.

By distinguishing between these two categories, you'll know which expenses qualify for deductions and how to apply them correctly to maximize savings while staying compliant with IRS rules.

## Travel Expenses

If you need to travel temporarily away from your main place of business (your "tax home"), certain costs may qualify as deductible travel expenses.

This includes:

- Business trips taken outside your regular work location.
- Temporary assignments or jobs in a different city.
- Specific categories of expenses directly related to travel.

The IRS also provides guidance on the standard meal allowance, rules for domestic and international travel, expenses for conventions, and even limits on luxury travel such as cruises.

### Definition:

For tax purposes, deductible travel expenses are the ordinary and necessary costs of traveling away from home for work.

- Ordinary expenses are those commonly accepted in your line of business.
- Necessary expenses are those that are useful and appropriate, even if not strictly required.



# MAXIMIZE TRAVEL & TRANSPORTATION DEDUCTIONS

## Transportation Expenses

Transportation expenses cover the ordinary and necessary costs of getting around for business purposes when you are not traveling overnight. These costs may include airfare, trains, buses, taxis, ride-shares, or the costs of using and maintaining your own car.

You can generally deduct expenses for:

- Traveling between different work locations within your tax home area (your main city or region of business).
- Visiting clients or customers.
- Attending business meetings away from your regular workplace.
- Traveling from home to a temporary work location, whether inside or outside your tax home area.

Important distinction: Transportation is different from travel expenses. If

a trip requires you to stay overnight, those costs fall under Travel Expenses instead (see previous section). However, if you use your car while away, you'll apply the car expense rules here.

### Non-deductible commuting:

Daily trips between your home and your regular, permanent workplace are generally not deductible—they're considered personal commuting.

### Exceptions:

You may be able to deduct daily transportation if:

- You travel from your home to a temporary work location outside your metropolitan area.
- You have multiple regular work locations away from your home.
- Your home qualifies as your principal place of business, and you travel between your home and another work site in the same line of business (temporary or permanent).







#03

DEDUCT HEALTH  
INSURANCE PREMIUMS



# DEDUCT HEALTH INSURANCE PREMIUMS

You can count insurance premiums as medical expenses if the policy covers medical care. However, you cannot include premiums that were already used to claim another credit or deduction.

If your insurance policy covers more than just medical care you can check the list in [link](#), you can only deduct the portion of the premium that applies to medical coverage. To do this, the cost of the medical part must either be clearly stated in your contract or provided separately by the insurance company.

If you're self-employed, you may be able to deduct 100% of your health insurance

premiums—including coverage for your spouse and dependents. Unlike typical medical expense deductions, this deduction reduces your adjusted gross income (AGI), not just taxable income, which can provide an even greater tax benefit.

## **Important Note**

You cannot claim the same insurance premium twice. If you've already received a tax credit or deduction for certain premiums, you cannot include those amounts again as medical expenses. Always make sure your deductions are not duplicated.



# #04

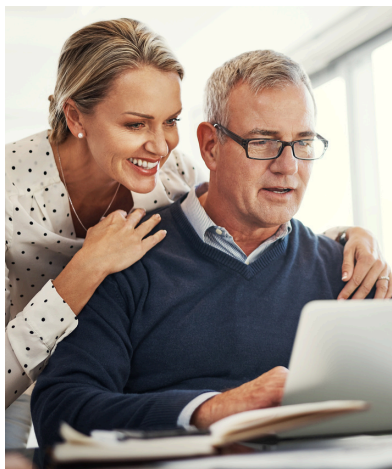
LEVERAGE RETIREMENT  
CONTRIBUTIONS

# LEVERAGE RETIREMENT CONTRIBUTIONS

IRS provides key guidance on how small business owners and self-employed individuals can leverage retirement plans to maximize tax savings.

## 1. SEP IRA (Simplified Employee Pension)

- You can contribute up to 25% of your eligible compensation. For 2025, this cap is \$70,000.
- If you're self-employed (sole proprietor), calculating the deductible portion requires using Publication 560's worksheet due to a "reduced rate" computation (typically around 20% of net self-employment income).
- SEP IRAs are simple to set up and administer, making them ideal if you want flexibility and higher contribution limits without annual commitment.



## 2. Solo 401(k)

Also known as a one-participant 401(k), combining both employee and employer contributions.

- Employee (Salary) Deferrals: \$23,500 in 2025.
- Employer (Profit-Sharing) Contributions: Up to 25% of compensation—total combined contributions capped at \$70,000 for 2025.

A powerful plan if you're a solo business owner since you benefit as both employee and employer.

## 3. SIMPLE IRA Plans

- Allow salary deferrals up to 2025 in \$16,500, with some plans allowing up to \$17,600.
- Catch-up contributions available if age 50 or older (up to \$3,500 in 2024).
- Employers must either match employee deferrals (up to 3%) or make a 2% nonelective contribution, making it simpler but with lower limits than SEP or Solo 401(k) plans.

*You can see how substantial the savings can be—beyond just current-year reduction, these contributions grow tax-deferred until retirement.*



# #05

HIRE SMART — FAMILY  
MEMBERS

# HIRE SMART — FAMILY MEMBERS

When family members work for one another, special rules apply to income tax withholding, Social Security (FICA), Medicare, and FUTA (federal unemployment tax). These rules depend on who employs whom (parent, child, or spouse) and the type of work performed (business vs. domestic).

## 1. Child Employed by Parents

- Under 18 years old (in parent's business): Wages are not subject to Social Security and Medicare taxes if the parent's business is a sole proprietorship or a partnership where both partners are the child's parents.
- Under 21 years old (domestic work at home): Payments for housework or other domestic services in the parent's private home are exempt from Social Security and Medicare until the child reaches 21.
- Income Tax Withholding: Regardless of age, wages are generally subject to income tax withholding, unless it's very casual domestic work (under \$50 in a quarter or not regular).
- FUTA: Wages paid to children under 21 are not subject to FUTA tax.

## 2. One Spouse Employed by the Other

- Wages are subject to income tax withholding, Social Security, and Medicare taxes.
- However, not subject to FUTA.
- If the employment is not in a business (example: domestic service at home), wages are generally exempt from Social Security, Medicare, and FUTA.

## 3. Parent Employed by Child

- In the child's trade or business: Wages paid to the parent are subject to income tax withholding, Social Security, and Medicare.
- Not in the child's business (e.g., personal errands): Payments are not subject to Social Security and Medicare.
- Domestic work exception: If the parent is hired for domestic services (like caring for a grandchild in the child's home), Social Security and Medicare taxes do apply if:
  - The child (employer) has a dependent child in the home, and
  - The child is a surviving spouse, divorced and unmarried, or has a spouse who cannot care for the child due to disability.
- FUTA: Payments to a parent are never subject to FUTA, regardless of the type of work.

## 4. Covered Services of a Child or Spouse in Corporations, Partnerships, or Estates

If a family member works for a corporation, partnership, or estate—even if controlled by their parent/spouse—the IRS treats the employment as if they work for the business entity, not for the relative. In those cases:

- Wages are subject to income tax withholding, Social Security, Medicare, and FUTA.



**In summary**, as a self-employed professional or small business owner, you have access to powerful tax benefits that often go overlooked—from health insurance and retirement contributions to family employment strategies that lower your tax burden. Knowledge is your best tool to save money and secure your future.

If you're ready to take the next step, schedule a consultation with our team today. Together, we can design a tax plan tailored to your needs.

Every dollar you legally protect from taxes is a dollar you can reinvest in your business, your family, or your retirement. The key is staying

informed and surrounding yourself with advisors who understand your entrepreneurial journey. Don't let tax opportunities pass you by—plan today, grow tomorrow.

Before you go, remember these golden rules:

- Review annually if you qualify for health and retirement deductions.
- Consider family employment as part of your tax strategy (hiring children or a spouse can be advantageous).
- Take advantage of SEP IRA or Solo 401(k) contributions to lower taxable income.
- Document everything and always consult a professional.

***Small steps in tax planning today can create big savings tomorrow.***

**Mulko Accounting, Taxation and Consulting LLC**, we understand tax planning is more than numbers—it's about protecting your hard work and building your future. Our team is ready to help you apply these strategies safely and effectively.



**TAKE THE FIRST STEP: BOOK YOUR NO-COST DISCOVERY CALL TODAY AND SEE HOW MUCH YOU COULD SAVE.**

DISCLAIMER: EVERY TAXPAYER ONES TAX SITUATION IS DIFFERENT. THIS MESSAGE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND MAY CONTAIN INFORMATION NOT SUITABLE TO YOUR SITUATION AND IS NOT TO BE CONSIDERED TAX ADVICE NOR RELIED UPON. PLEASE CONSULT DIRECTLY WITH ONE OF OUR TAX PROFESSIONAL FOR GUIDANCE TAILORED TO YOUR UNIQUE SITUATION.