

June 2021 Blog #2 – Common Small Business Tax Questions



While all businesses must file an income tax return each year, simply determining what your business owes the government and what deductions your business may be entitled to can leave some business owners confused and not maximizing their potential for returns and savings -- not only at tax time, but throughout the year. The tax professionals at Orlando, Florida based [CPA Accounting & Tax Services](#) answers 5 questions commonly asked by small business owners.

1. What Types of Business Expenses May I Deduct?

As long as they are necessary and customary for the business to operate, most business expenses can be deducted. Common examples of deductible business expenses include office supplies, equipment and technology utilized by employees, rent on your office space, etc. However, there are limitations. For example, only 50% of business-related meal and dining expenditures can be deducted. While each employee's daily commute to work isn't deductible, any employee's travel expenses are covered when they travel for business, including hotel expenses, air travel and meals.

2. How Can I Reduce The Cost of Transactions?

Many banks charge varying transactions fees based on a businesses volume, which in many cases, can add up quickly. There are many alternative payment systems that are designed to save businesses money on each transaction such as Zelle and PayPal. It is important to carefully research these alternative solutions to ensure their technology is compatible with your existing payment systems.

3. Should Owners Take a Draw From The Business?

An owner's draw is not a business expense, so it doesn't appear on the company's income statement and hence, it doesn't affect the company's net income. It is important to note that Sole Proprietorships and Partnerships do not pay taxes on their profits so any profit the business makes is reported as income on the owners' personal tax returns.

In general, companies should limit draws to ensure there is enough cash to continue operations. While your employees get paid every time you do payroll, you do not have to take an owner's draw at regular intervals. Also, you do not withhold payroll taxes from an owner's draw because it's not immediately taxable.

4. How Does My PPP Loan Impact My Tax Filings?

If your business received funding from the Paycheck Protection Program (PPP), how you utilized the money and whether your loan is forgiven will affect your tax filings in 2021. Any PPP funding you received also affects standard business deductions for 2020. According to the IRS, this year expenses such as office rent or employee wages can't be deducted if you used forgiven PPP money to cover them.

5. How Does Leasing vs. Owning Affect My Tax Return?

If your small business needs equipment, a vehicle or office space to operate, it is important to determine if buying or leasing is less costly after factoring in taxes. Owning a vehicle, property or piece of equipment grants you depreciation deductions, however leasing does not. Because you can finance property to own it, sometimes buying comes with a lower down payment than leasing, whereas sometimes the leasing rate can be lower.

We can help business owners reduce costs and maximize their returns. Contact the professionals at [CPA Accounting & Tax Services](#) to help guide you through tax season and beyond. We specialize in [Business Accounting Services](#), [Individual Tax Services](#), [Tax Preparation](#), [International Tax Services](#), [Tax Planning](#) and [Tax Resolution Services](#). We have offices in Orlando, Florida and service clients worldwide. Find out how we can serve all of your accounting needs by contacting us today: www.cpaaccounting.biz