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Look here! The most commonly overlooked deductions by small business owners

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As a real estate agent and small business owner, there are a number of tax deductions available to you. In fact, the deductions are one of several strong arguments for starting your own business-particularly one that utilizes a home office. Yet even with that as part of your mindset, many small business owners do not take advantage of all the deductions that are available to them.

Many times realtors think they can't deduct something because they have not seen it on some list of acceptable items to deduct. The IRS rules state that to be deductible the item should be an "ordinary and necessary" business expense. If the item is an expense of conducting your business and not lavish it most likely is deductible and fits the 'ordinary and necessary' rule.

The aforementioned home office deduction is one of the more overlooked. In fact, of the 23.4 million returns filed by sole proprietors for tax year 2011, only 7.6 million filers claimed a home office deduction, representing 32% of eligible filers. The reason for that is simple. Many people who operate businesses out of their homes are fearful of audits. For the most part, this concern is unwarranted. Home office deductions are legitimate deductions that the IRS has long been well aware of.

That's not to say the IRS won't take action if you are not truly entitled to it. Being entitled to that deduction means satisfying two conditions: using the space as your principal place of business or for some other acceptable purpose and using the space regularly and exclusively for business. IRS Publication 587 offers more details on this deduction.

Startup costs are another overlooked deduction. For many new businesses, they start calculating expenses once they open their doors for business. But research costs, mileage looking for locations and other startup costs should be added to the list. In fact, as a business owner, you are able to deduct up to $5,000 in startup expenses before opening your doors for business in your first year. If those costs exceed $5,000, it can be amortized over a period of 15 years. There are some limitations if startup costs are over $50,000.

Some of the more common deductions overlooked by small businesses include: accounting fees; bank fees; interest payments; self-employment taxes; health insurance premiums; and carryover costs.

While most realtors are not likely to not deduct computer equipment, smart phones, tablets and other technology items, they may be remiss in including software. Those items are deductible. So are online and cloud-based services that have a monthly charge.

Overall, most realtors have a decent idea about what is deductible and what is not. But obviously, there are some things that business owners overlook and that's true of people who have been in the business for years as well as the new real estate professional.

There are certainly enough challenges for realtors so it certainly behooves them to be fully aware of the benefits. A store owner wouldn't leave the day's receipts unattended on the counter, right? Many realtors are figuratively doing the same thing by not knowing what they can and cannot deduct. That's why it's important to work with a tax professional to ensure you maximize all available deductions.

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