

Tax
Talk

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Deducting the costs of business

A lot of owner/operators refer to their truck as their office: "I'm going to the office, honey. See you when I get back." But what about your other office, where you pay bills, review broker settlements, and look up weather and traffic reports as you get ready for your next trip?

If you're like most owner/operators, this office is in your home.

Maybe it's a table in a corner of the kitchen or maybe it's the kitchen table itself.

Preferably you have a dedicated room with a desk, a good chair, a computer with an Internet connection, and filing cabinets.

I get a lot of questions about having a home office and whether these expenses are tax deductible.

The short answer is yes, as long as a) the space is your principal place of business; or b) you use it only to earn your business income and you use it on a regular and ongoing basis to meet clients, customers, or patients.

When you have a home office, you can deduct a portion of ordinary household expenses like utilities, insurance, property taxes, and mortgage interest.

To calculate how much you can deduct, use a "reasonable" basis such as

of your monthly home phone cost for business.

However, you can expense long-distance charges that are directly business-related so you'll have to track and highlight these calls somehow. Heck, expensing 100% of a cellular phone bill is a risk.

CRA always wants you to make some sort of personal-use allowance. This one always makes me mad. "Business" is the only reason to have a big expensive cell phone package with lots of data and US roaming.

Internet

Does your carrier have a web portal? Do you use it to download broker settlements? Upload documents? Communicate with dispatch or the head of-

office?

Once you've been dispatched do you not go online for weather and traffic conditions and border-crossing wait times?

Of course you do.

So you should be expensing part of your monthly Internet cost and the related GST/HST.

Advertising

Marketing your business is a valid expense.

So yes, buying jackets, shirts, and hats with your company name is considered promotional.

Paying for your daughter's soccer team registration is not but advertising your company name on the back of her jersey is.

Your entry fee to the local charity golf tournament is not a marketing expense but you could deduct the cost to sponsor a hole at the tournament.

Your race car hobby is not an expense but what if your company name is all over your buddy's car?

Everyone needs a place to manage the business side of the trucking business.

The rules for deducting the costs of keeping an office are pretty straightforward but any expense that involves business and personal enjoyment may be called into question.

It's all good if you have to clear the dinner dishes before you get down to your paperwork.

Just be ready to support your claim for part of the kitchen table. ●

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the area of the work space divided by the total area of your home.

If you use part of your home for business and personal living, calculate how many hours a day you use the space for work and then divide that amount by 24 hours.

Multiply this percentage by your total home expenses to calculate the business household cost or office in the home expense amount you can deduct.

Clients often ask me about depreciating part of their home value or depreciating the cost of building their office in the home. Avoid this minefield.

By taking any part of your home value as a business asset you now must declare the proceeds of that room when you sell your home.

Trust me, you don't want capital gain and recapture income tax rules to apply on the business-use part of your home when you sell it.

Office supplies

You can deduct the cost of office supplies like pens, pencils, paper clips, stationery, and stamps. Office expenses may not include items such as calculators, filing cabinets, chairs, and desks depending on the cost of the items. They may be considered capital items and have to be depreciated.

Phones

CRA doesn't want you expensing part