

"Saving Sense"

A checklist of potential tax deductions for dance teachers.

by Mark E. Battersby for Dance Teacher Now November, 2000

It is unfortunate reality of the complex tax system that many business owners and professionals often overlook perfectly legitimate income tax deductions. The obvious result is a tax bill considerably higher than it needs to be. Are you claiming all of the tax deductions that you are entitled to? Following are some of the deductions that are often overlooked or misunderstood.

Automobile

Expenses for items such as gasoline, oil, tires, repairs, insurance, depreciation, parking fees, and tolls, licenses and even garage rent that are incurred for cars used in your business are tax deductible. Naturally, these deductions are allowed only for the part of the expenses attributable to business.

Dance professionals can substantiate car expenses by keeping an exact record of the amount paid or buy using standard mileage rate of 32.5 cents per mile for every mile driven for business purposes. The business portion of parking fees and tolls may be deducted in addition to the standard mileage rate.

Clothing

Both the cost and the upkeep of the uniform or costume, including laundering and cleaning, are tax deductible only if the uniform or costume is required as a condition of employment and so long as it is not adaptable to general wear. A tax deduction is also allowed for special items required in your work that do not replace items of ordinary clothing, such as tap shoes.

Commissions

Commissions paid to others are, of course, tax deductible. Remember, payments made to individuals in the amount of \$600 or more annually require an information return (Form 1099), copies of which must be given to the recipient and the IRS.

Conventions and Competitions

A tax deductible is allowed for attending business conventions--but there must be a business purpose. Investment seminars and the like do not count. Overnight travel away from home to compete or to attend a trade show or convention is deductible in many cases.

Dues

No tax deductibles may be claimed for club dues. This rule applies to any club or organization for business, pleasure, recreation or other social purposes. Fortunately,

this disallowance doesn't extend to professional organizations or public service organizations (e.g. Kiwanis and Rotary Clubs). Don't forget to deduct any union dues.

Entertainment

You can entertain and deduct whether on your dime or that of your employer, but there must be a legitimate business purpose and only 50 percent of food and drink may be deducted.

Home Office or Studio

Recently liberalized rules allow dance professionals to claim the expenses associated with home offices or studios. The office or studio space must be utilized exclusively as an office or studio and it must be the "principal" location of your business activities. Administrative and management chores qualify even if the dance professional owns or is employed at several studios.

New Business/Start-Up Cost

You can start your own business or even enter a field as an independent contractor and some of those start-up expenses will be tax deductible. Most start-up expenses, however, must be capitalized and written-off over a long period.

Subscriptions

Professional journals and subscriptions are tax deductible. The cost of a professional library having a more permanent value should be capitalized.

Self-Employment Taxes

Any self-employed dance teacher may deduct 50 percent of the self-employment tax imposed.

Transportation

Although dance professionals think of local transportation expenses as those incurred for the business use of their car, don't forget that you can also include the cost of transportation by rail, bus or taxi. The commuting expenses of going between your residence and the dance studio are not usually tax deductible, however, travel between two jobs isn't considered commuting and is deductible.

Employees of dance studios may find that some of these deductions are limited by the two percent floor on personal, itemized deductions. However, all are worth considering. After all, it is your income tax bill. Shouldn't it be as low as legitimately possible? **DTN**