If you’ve already received your 1099 from Spire you’re probably ready to start thinking about filing your taxes – which also means you should start thinking about what tax deductions you can claim as a real estate agent/broker that you incurred in 2011 and also start planning for 2012.

Many agents/brokers are often uninformed about what tax deductions they can take. Many agents/brokers make the mistake of not taking enough deductions, which can potentially save hundreds if not thousands of dollars. Incidentally, you’ll want to make sure you’re eligible for these deductions just in case you were to get audited by the IRS – If you have any questions about tax deductions that are available to you please feel free to ask us.

**Here are Some Common Tax Deductions for Real Estate Agents/Brokers:**

**Advertising Costs:** Signs, newspaper advertising, flyers, online advertising, post cards, promotional materials, and anything else that was used to market your business may be deductible.

**Professional Fees:** Your MLS Board Dues, Realtor Dues, Renewal fees with your state board, Errors & Omissions Insurance, and any other professional fees you incur may also be deductible. Legal/Accounting etc.

**Education Materials:** Did you take continuing education classes or seminars? Those may be deductible as well.
**Auto/Local transportation Expenses:** This is an obvious deduction most agents/brokers remember – but many are often misguided about how much mileage they can deduct or how to separate “personal” and “business” usage. Another deduction often missed is depreciation if you own your car or lease payments if you lease. You can choose to deduct per mile driven or you can also do the actual cost of insurance, gas prices, repairs & maintenance, and other vehicle expenses.

**Office Equipment/Expenses:** Office equipment can include desk fees if you have them at your office, computer/software, laptops, phone fees (including cell phone), i-pads, cameras, office supplies, and anything else related to necessities of running your office.

**Wages Paid:** Did you pay an assistant? Hire someone to help you? Did you pay out any referral fees to other agents/brokers? All of these may be deductible as well.

**Business Meals and Entertainment:** You can deduct fees for dinners, event tickets that are business oriented, entertaining for business at home, and anything else related to costs you incurred for entertaining business clients. Be careful with this one – be sure it was really for business before claiming it. – Please note these deductions are only 50% deductible on your tax return.

- **Combine business with pleasure when traveling**

1. If you fly on a business trip to another U.S. city and spend a few extra days there as a vacation, you can deduct 100 percent of your airfare as long as the number of days spent on business is more than your vacation days. In other words, the main purpose of the trip must be for business. Your other out-of-pocket expenses, such as lodging, hotel tips and 50 percent of meals, can be deducted for the business days only.

2. Expenses for the personal days generally are not deductible. There is an exception if you spend an extra day or two away to get a cheaper airfare for a Saturday night stay over. If your added cost of meals and lodging for that period don't exceed what you saved in airfare, those costs (the hotel bill plus 50 percent of meals) can be deducted as business expenses.

Hopefully this literature above gives you some more clarity on what is deductible for business purposes.

**Important Note:** Please keep a yearly log of your travel expenses, mileage etc., and be sure to keep all receipts from expenses that you incur when conducting business. It is wise to get a separate business credit card to avoid having to breakout your personal/business expenses at the end of the year. Many credit card companies give you a yearly analysis of expenses incurred by category which is a useful tax tool and time saver.
Retirement Planning for Self Employed Individuals:

- Open a retirement plan to shelter your business profit

The most common self-employed retirement plans is the Simplified Employee Pension plan (SEP). You can put in up to 20 percent of your net earnings from self-employment, which is your net Schedule C profit minus the deduction for one-half of your self-employment tax. The maximum annual contribution for 2011 and 2012 is $49,000, and 50,000, respectively.

Compare that to the $5,000 cap on IRA contributions ($6,000 if you are 50 or old at year end) for 2011 and 2012.

A SEP can be funded and set up for 2011 as late as April 17, 2012, or if you file an extension, October 15, 2012.

Please feel free to contact me for more information on any of the above information:

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