



TURN YOUR BUSINESS TRIP INTO A VACATION:

A TAX GUIDE FOR STYLISTS AND BARBERS!

Whether this is your first beauty show or your 20th, this guide will show you how to structure your expenses so that your trip is fully deductible!!! Let Credit Conscious Network (CCN) show you how to keep track of your expenses, which will make filing your tax return so much easier.

As outlined in **Topic No. 511**, the IRS states that business travel expenses must be “**ordinary and necessary**”. Learn about your tax home and 10 easy rules that will guide you on how your next business trip can also be a vacation.

Tax Home:

- Your tax home is the city or area where your main place of business is located.
- When figuring out what you can deduct, remember that you must be traveling **AWAY** from your tax home.
- **FAQ: “I work in Atlanta and the beauty show is held in Atlanta; I would like to be closer to the event...can I write-off the cost of a hotel?”. The answer is NO because your tax home is in Atlanta. There are other expenses that you can write off and we will cover that later in this guide.**

Rule 1-Business Bank Account:

- Make sure that you have a business bank account. All expenses need to be paid out of that account. If you are audited, this is your saving grace.
- You can also use a business credit card to pay for your expenses. Just make sure that you pay the credit card bill from your business account.

If you are not an owner of a salon/barbershop.... as an employee, you can still take advantage of deductions!!!!!!

Trade show registration, industry classes and other expenses outlined in rule 1 through rule 10 can be deducted as work related expenditures!!!!!! Your beauty show expenses fall under the professional development category and there is a section of the tax return called “**Other Deductions and Credits**” where we will deduct them.

Rule 2- Deductible Airfare:

- When you book your flight, make sure you follow rule #1.
Please note...if you use frequent flyer miles, you cannot deduct the price of the flight.
- **FAQ: “Is a first-class ticket considered ordinary and necessary?” Most likely, the answer is NO unless there are not any other seats available. If audited, the IRS will question why you are deducting a first-class flight.**

- If you drove to the beauty show, you can deduct fuel or mileage. We can help you determine which one will give you a higher deduction.

Rule 3-Deductible Transportation Expenses:

- The cost of a rental car
- Uber and Lyft fees
- Taxi fees (if applicable)
- Fees for bus and train tickets

Please note...you cannot write off tips paid to your taxi, ride share or shuttle bus drivers.

Rule 4-Deductible Hotel Stays:

- You can deduct your hotel expenses if they are reasonable and not extravagant. Thus, a stay at the Ritz Carlton may be deemed extravagant.

Rule 5-Deductible Meals:

- Starting in 2021 and 2022, the cost of meals are 100% deductible if they are purchased from a restaurant. This is a new rule established by the Tax Cuts and Jobs Act of 2017.
- **FAQ: “I purchased Chick-Fil-A for my assistant and I at the beauty show. Can I deduct the full cost of that meal?” Yes, Chick-Fil-A is a restaurant, and you can deduct 100% of the meal’s cost. If there was another vendor (who wasn’t a restaurant) selling food, you can only deduct 50% of the meal’s cost.**
- Business meals with clients are 50% deductible.
- Food and snacks purchased from gas stations and grocery stores are 50% deductible.

Please note... Starting in 2023, ALL meals and snacks will be 50% deductible.

Rule 6-Deductible Beauty Supplies:

- The cost of all your supplies purchased for the beauty show is fully deductible. Make sure you keep the receipts or log them into one of the apps CCN recommends or the Excel spreadsheet that CCN has created. Download it here: ronnerbros.com/writeoffsheets
- When filing your tax return, CCN will put the cost of these supplies under Business Travel Expenses since you purchased them while traveling.

Rule 7-Deductible Incidentals:

- The cost of personal items such as soap, toothpaste, lotion, makeup, etc are fully deductible.

Rule 8-Deductible Clothing:

- The cost of promotional shirts, capes and smocks for your business are deductible.
Please note...You may be thinking about purchasing a new wardrobe to wear to the beauty show. This expense is not deductible because the IRS says that the same clothing could be worn outside of work.

Rule 9-Cost of the Beauty Show:

- You can deduct the cost of admission to the beauty show. This includes admission for your models and/or workers.
- You can deduct the cost of the booth or space purchased for your business.
- You can deduct the cost of advertising/marketing your brand for the beauty show.

Rule 10-Deductible Labor:

- If you hire helpers and/or models, you can deduct their wages and expenses incurred while they are working for you at the beauty show. This includes their meals, supplies and incidentals.
- You should also pay yourself. Your wages are a tax write-off too!!!! The easiest way to do this is to put yourself on payroll. Drawing a paycheck from your business allows you to pay taxes and pay into the Medicare & Social Security System. Contact [ADP](#) to get started with payroll.

Please note... If you are trying to purchase a home or get a business loan, you cannot have too many tax write-offs. This will cause your income to be too low. By putting yourself on payroll, you are paying taxes and keeping your income at a certain level. We see it daily where stylists and barbers deduct a lot of expenses to cut down on their tax liability. This results in getting denied for a business or home loan.

What Else Should You Know?

- As an entrepreneur, you need disability insurance. If you were to get hurt and unable to work, how will you get paid? Disability insurance will pay in case of injuries and/or illness. Ask your insurance company if they provide this type of insurance.
- Are you saving for retirement? You need a Simplified Employee Pension (SEP IRA) or a ROTH IRA. Ask your banking institution if they offer these types of IRAs.

Link for ADP to set up your payroll:

- [Payroll, HR and Tax Services | ADP Official Site](#)

Software/Apps to scan your business receipts:

- Quickbooks (Software) you can connect your bank account and import all your transactions (revenue and expenses). This software allows you to run monthly, quarterly, and yearly profit/loss statements.
- Expensify (App)
- Smart Receipts (App)
- Receipts by Wave (App)

Tips for using our Excel Spreadsheet:

- The spreadsheet has formulas that calculate everything for you. Just input your numbers.
- The spreadsheet will calculate your monthly, quarterly, and yearly profit/loss.

- The tab with the revenue and expenses from the beauty shows automatically feeds into the main profit/loss spreadsheet for that year.
- Change, add or delete rows as you see fit.
- At the end of the year, filing your tax return will be simple because the spreadsheet has everything categorized according to IRS guidelines.

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