GUIDE

Small business tax deductions, the 2026 list

A small business can deduct ordinary and necessary costs of running the business. The biggest for most owners are the home office, vehicle use, equipment through Section 179 or bonus depreciation, health insurance, retirement contributions, software and contract labor. Meals are 50% deductible, and personal costs never are.

QUICK FACTS

- **The test.** Ordinary and necessary for your business
- **Meals.** Business meals are 50% deductible
- **Equipment.** Section 179 up to $2,560,000 for 2026

General information, not tax advice for your situation.

What can a small business deduct?

DEDUCTION	THE RULE
Home office	Space used regularly and only for business. Simplified method: $5 a square foot, up to 300 square feet
Vehicle	Business miles at 72.5 cents through June 2026 and 76 cents from July 1, or actual costs times business use
Equipment and computers	Section 179 up to $2,560,000, or 100% bonus depreciation
Health insurance (self-employed)	Premiums for you and your family, if no employer plan is available to you
Retirement contributions	SEP IRA, solo 401(k) or SIMPLE contributions
Business meals	50% when business is discussed and records show who and why
Travel	Airfare, lodging and 50% of meals on overnight business trips
Software and subscriptions	Accounting, design, email and other business tools
Contract labor	Payments to contractors, with 1099-NEC forms where required
Wages and payroll taxes	Employee pay, your share of payroll taxes and benefits
Rent and utilities	For business space, or the business share of your home
Advertising and marketing	Ads, website, printing and sponsorships
Professional fees	Accounting, legal and payroll services
Insurance	Liability, property, workers' comp and business auto
Interest	On business loans and business credit cards
Startup costs	Up to $5,000 in the first year, the rest over 15 years

Which costs can't I deduct?

Personal expenses, commuting, clothing you could wear outside work, fines and penalties, political contributions, and most entertainment like concert or sports tickets. Federal income tax isn't deductible either.

How do S-Corp owners claim home office and mileage?

Through an accountable plan: the company reimburses you, deducts the cost and you receive it tax-free. Claiming them on your personal return doesn't work for S-Corp owners.

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What records do I need?

Receipts or statements showing what, when and how much, plus a note of the business purpose for meals, travel and anything that could look personal. A mileage log for car use. Monthly bookkeeping keeps all of it in order, and the record retention schedule says how long to keep it.

Common questions

What is the biggest tax deduction for small businesses?
For most, it's wages and contract labor, then equipment and vehicle costs. For one-person businesses, the home office, vehicle, health insurance and retirement contributions add up fastest.

Are business meals deductible in 2026?
Yes, at 50%, when the meal has a business purpose and you keep a record of who attended and why.

Can I deduct my phone and internet?
The business share, yes. If you use them half for business, deduct half.

Can I deduct startup costs?
Up to $5,000 in your first year, reduced if startup costs top $50,000, with the rest spread over 15 years.

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