

Deduct New Business Costs

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Starting a business can be expensive. What's worse is that many new business owners have significant expenses BEFORE their business is up and running.

Start up expenses include expenses you incur when you investigate the business, set up the business, and other costs to get the business up and running. Examples of start up costs usually include market surveys, consultant and professional services, travel and other costs for finding your distributors and suppliers, salaries and fees paid to employees while they're training and

advertising before you opened the business.

In addition to start up expenses, business also may incur organizational expenses. Organizational expenses include legal fees, incorporation fees, accounting fees, etc.

Since the business has not yet opened it's doors to the public the IRS does not allow you to deduct these start up or organizational costs as ordinary and necessary business expenses. But all is not lost, if your total start up costs are less than \$50,000 and your total organizational costs are less than \$50,000 then, you can immediately deduct the first \$5,000 of start up costs and the first \$5,000 of organizational costs.

If either your total start up costs or organizational costs are more than \$50,000 then the amount you can immediately deduct is reduced. However, any amount that you are not able to immediately expense is capitalized and then amortized (written off) over 180 months.

The election to expense the first \$5,000 of start up costs and/or organizational costs is made by claiming the deduction(s) on the return the year the business opens. The return must be filed by it's extended due date.

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