

Common IRS Tax Deductions for Writers*

Generally, any expenses that you incur directly related to your writing business can be expensed against your income if you are operating your business with the intention of earning a profit and not as a hobby. It is not uncommon for some businesses to take a few years to get off their feet.

<https://www.irs.gov/newsroom/know-the-difference-between-a-hobby-and-a-business>

It's important to maintain good business records, such as bills, invoices, credit card receipts, and payment verification, to support your expense deductions.

It's equally important to maintain good calendars to demonstrate your business activities so that you can prove you are running a business for profit (especially if you are not yet making a profit).

If you are preparing your own tax return, understand that expenses may be reported in different sections of the tax forms, depending on your tax structure. Also, your expenses may also fit several expense descriptions, so you may have to choose which one you wish to report them under. For example, when you pay for an editor, you might categorize that as "Editing" under "Other Expenses," or it may be under "Contract Labor." While it's not a test to pick the right category, the IRS does use AI-generated algorithms to test certain expenses to see if they fall outside a regular fact pattern, which they may use to screen for a category to be audited.

Cost of Good Sold:

Costs of the books you purchased for resale – this includes shipping.

(Note, while your state may not require you to pay sales tax on books you resell, if you buy them for any other purpose—like promotions—you likely owe Use Tax in your state.)

Expenses generally listed on the face of the IRS forms (such as Schedule C):

- **Advertising expenses** - This may include web hosting for your website, website development, ads run on Amazon, Book Bub and similar companies, or any other costs associated with getting the word out about your books
- **Car and truck expenses** - Many people rely on a mileage method. This can be for any activity associated with your writing business, such as driving to a writing conference, driving to the bank to conduct writing account business, or driving to critique group meetings. If you write off actual expenses, you will still need to track your business vs. your commuting vs your personal mileage. You will need specific mileage logs to deduct this.
- **Commissions** – agent or any other sales commissions that you pay
- **Contract labor** - Any costs you pay for people who work for you who are not employees. This can include payments to companies for rendering services such as virtual assistants, editing, mentoring, and the like. Note that you may be required to issue a Form 1099-NEC to anyone earning more than a threshold amount (\$600.00 as of the date of this list in 2024) if they are individuals and not companies or are a lawyer providing services for your writing business.

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- **Depreciation** - This is an allowance to write off large assets over the life of the asset. Most writers will not encounter this unless they have purchased items over a threshold amount or are using a direct expensing method for their cars. Most writers have simple office equipment that can otherwise be written off as supplies in the year of purchase.
- **Insurance.** You may be able to write off health insurance, but it may not go on the insurance line, depending on what kind of tax structure you have. (For self-employed, it gets written off in another part of the tax return.) Auto insurance is not deductible if you are using the mileage method. If you use the direct expense method, you'll have to allocate the percentage of business use to the business. (It becomes quite complicated to write off direct expenses and may have some liability issues for the business in case of accidents.)
- **Interest.** Only interest specifically related to loans or credit card debts of the business are deductible.
- **Legal and Professional Services** – lawyers, accountants, and agents
- **Office Expense** – office supplies or anything else required for running your office.
- **Rent** – only if you are renting equipment or space for your separate business. If you use an exclusive space in your house, that can be deducted using a simplified method or using a direct expense method.
- **Repairs** – equipment repairs, such as laptops
- **Supplies** – professional headshots, one-sheets, or other printed materials required for agents and publishers; book table supplies; laptops
- **Taxes & Licenses** – this would likely include your business registrations. Be careful not to include sales tax, as that is an amount you collect over and above your sales, is not reported in your income, and therefore not deductible. If you have payroll, your employer taxes would go here.
- **Travel and meals.**
 - **Travel** - Airfare, hotels, taxis, and local transportation: Only include your expenses related to traveling for business purposes. Any personal travel must be adjusted for.
 - **Meals** – You must have the receipts, the names of the people at the meals (unless traveling), and the business purpose of the meal. Meals are generally deducted at a reduced rate, such as 50%.
- **Utilities** - You may be able to deduct some portion of utilities if you directly expense home office deductions. If you use a simplified method, you don't deduct them separately. If you are renting separate office space, you may deduct these in full so long as there is no personal use of the space.
- **Wages**

Other Expenses:

- **Computer and software expenses**
- **Copyright fees**
- **Cover design costs**
- **Dues and subscriptions.** Dues to professional organizations, writers subscriptions.
- **Editor's fees**

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- **Educational expenses** - Classes, seminars, writing conferences and retreats
- **Formatting costs**
- **Internet expense** (Allocated based on business use)
- **Narrator costs** (for audio books)
- **Postage and outgoing shipping expenses**
- **Promotional expense** – If you have a publicist, you may categorize them as contract labor or with their own line
- **Publishing Costs** – any costs associated with self-publishing
- **Research expenses** - books, magazines, movies, etc. (keep a journal of the reason you ordered or need this)
- **Telephone expense** (Allocated based on business use)

The above listing may not include all the deductions you can take as a writer, but it likely covers most of the expenses you might incur. For more information, check out IRS Publication 334, Tax Guide for Small Business, which is designed for businesses filing as a self-employed person (which your LLC may include). This link will refer you to other business publications if you have a different taxing structure.

<https://www.irs.gov/publications/p334>

Beware: This information generally addresses only federal tax issues. Your state may not allow for all of these deductions or may treat them differently. Also, be aware that the tax laws change from time to time. For example, during the Covid pandemic, 100% of meals were deductible, but they are more normally deductible at 50%.

***Disclaimer:** The information contained herein is not designed to be tax advice for your tax situation. It is intended to be a resource for general information. Always consult with a tax professional to gain the greatest tax benefits and to be compliant with the tax laws.

This information was provided by Patricia Hartman, CPA/CVA, who is licensed to practice in Florida. Patricia Hartman is providing this information as a resource for Christian Writers and not for the purpose of gaining new tax clients. Her tax practice is at capacity, and she is not currently taking on new tax clients.

Patricia Hartman, CPA, is currently collaborating with an attorney, Ilena Alvarez, Esq., on a book project to cover the tax and legal aspects of a writing business, including business formation, copyrights, contracts, and estate planning. If you would like to help us by taking a survey regarding your business needs or would be interested in knowing when the book comes out, please fill out this survey: <https://forms.gle/DCabZeMwiz8XbvnX8>

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