



**Lower
Manhattan
Cultural
Council**

EMPOWERING ARTISTS,
INVESTED IN COMMUNITY

BASIC FINANCE FOR ARTISTS

Week Three: Tax & Accounting – March 2015

5 RULES FOR CLAIMING DEDUCTIBLE EXPENSES

When deciding whether or not to claim a certain expense as a deduction, consider the following questions to help determine whether you would be able to justify the expense to the IRS:

1. Is the expense “ordinary” – is this an expense that is common or similarly incurred by others in your profession?
2. Is the expense “necessary” – were the expenses needed in order to generate revenue?
3. Is the expense “documented”- do you have evidence or proof that goods were purchased or service was rendered, such as an invoice?
4. Was the expense “paid”- do you have evidence or proof of payment for the goods received or service rendered in the form of a receipt or cancelled check?
5. Have you kept a “record” of your expenses – do you have a method of categorizing and summarizing expenses that includes this expense?

In the event of an audit you may be called upon to justify any deductible expenses. Keep in mind that what you consider a necessary or ordinary expense may not always be considered deductible by the IRS.

EXAMPLE:

An expense commonly disqualified by the IRS is clothing or uniform expense. The IRS tends not to accept deductions for specialized clothing unless it is an actual uniform or a costume. Clothing purchased in order to look “nice,” “professional,” or “presentable” for a job is generally not accepted.