

## What Tax Deductions can You Avail of for your Online Business?

You will need to file your taxes regardless if the transactions of your business are mostly offline, partially online or completely online. No matter what type of business you operate, you are in the same footing as all business owners when it comes to tax season. The IRS requires that you declare all of your income, regardless of what the source is, [file your tax return](#) and pay any further amounts of tax money owed to the government. It's a good thing though that many tax benefits and even loopholes that apply to traditional business can also be applicable to your online endeavors. Essentially, identifying what loopholes and exceptions that applies to your company is sometimes the tricky part or else, you will run into an IRS trouble.

Having a home office is among the major tax breaks that online entrepreneurs can take advantage of. Most of the time, online businesses are carried out at home, hence, depending on certain requirements, business owners can actually qualify for these significant tax deductions. Business owners just have to take note that using the house regularly and exclusively for business purposes will make them avail of the applicable deductions. A dining room used as an office during the day will not qualify under this type of tax deduction.

For it to qualify as a home office, a particular space or room must be mainly used for business, like daily operations and client meetings. You may want to keep it simple rather than dividing the use of a particular space between personal and business matters. Claiming that a room is utilized for business operations 100% of the time instead of 75%-25% for business and personal uses, respectively, is a better alternative. This way you will not invite IRS problems into your doorstep.

Another condition that the IRS requires for this [tax deduction](#) is that the space you are claiming as your home office should be considered as your primary place of business. Most of the time, online business owners won't have a hard time complying with this requirement since online business is primarily carried out at home anyway. This stipulation is just made for the IRS to guarantee that business-related activities are not done in some other place.

These two main requirements, when met, will certainly allow you to deduct many costs associated with your office and home. Among other things, these costs include rent or mortgage payments, insurance costs, utility bills and property taxes. Obviously, though, you're not authorized to deduct all of your rent, or all of your mortgage payment. The way it's done is usually through a percentage guide. For instance, you will be able to deduct \$250 from a from your monthly mortgage payment of \$10,000 if 25% of your house is used as home office. So every month you would be able to deduct \$250 which totals to \$3,000 per year. This sort of calculation is a rule of thumb when determining how much you should deduct on all other expenses related to your home. Also, maintaining updated records of your online business will help you avoid [IRS issues](#) in the future.

There are also restrictions imposed to online business tax deductions. For instance, you cannot claim for a number of deductions which, when totaled, will record a net loss for that year. Technically speaking, you cannot claim for a net loss equal to the \$10,000 difference of an annual revenue of \$50,000 and total exemptions of \$60,000. Claiming for a net gain of zero, however, is a possible and allowable option.