



Razes

Grab All Your Tax Deductions for Your International Side-Business

Business Perks

Managing taxes for your Private-Label Link-Tree Service Business can be complex, especially when you're traveling internationally, attending events, and operating under a custom business name. This guide walks through how to properly structure your business, claim the full range of deductions (from home office to travel and events), and keep detailed records. It's aimed at **U.S.-based sole proprietors** (or their newly formed LLC/S corporations) who run a Link-Tree Service and often travel locally and abroad to grow their business. We explain federal tax rules and note examples of state differences (like California's LLC tax or Florida's filings), but state requirements can vary. Throughout, remember – **always consult a qualified tax professional or CPA** for personalized advice. This guide is informational only and not a substitute for professional advice.

Structuring Your Business for Taxes

When you start your side-business, you choose a legal structure. For most small service businesses, the simplest form is a **sole proprietorship**. This means you personally own the unincorporated business. By default, IRS rules say an unincorporated business owned by one person is a sole proprietorship. You report business income and expenses on **Schedule C of your personal 1040**. There is no separate corporate tax return – profits simply flow to your individual return. (You should file Schedule SE to pay Social Security/Medicare self-employment tax on net earnings.) However, as a sole proprietor you have **unlimited personal liability** for business debts.

- **Sole Proprietorship:** Easy to form. You can operate under your own name or a “doing business as” (DBA) name. Many states require a fictitious business name registration for DBAs. For example, California lets you use your own name without filing, but any other name needs a “Fictitious Business Name Statement.” Profits are taxed on your Form 1040 via Schedule C. You’re personally liable for all debts. No formal setup (unless you choose a DBA or get an EIN) is needed in many states – but you may need business licenses or seller’s permits depending on your city/state.

If you want **liability protection** and/or different tax options, consider forming an **LLC (Limited Liability Company)** or electing S-corp status. An LLC is a state-level business structure that combines elements of corporations and partnerships. An LLC offers liability protection for its owner(s) (“members”) – only the LLC’s assets are typically at risk for business debts, not your personal assets.

- **LLC:** Owners are “members.” Single-member LLCs (SMLLCs) have one owner, many states (CA, TX, FL, etc.) allow these. By default for tax, a single-member LLC is a “disregarded entity,” so the IRS treats it like a sole proprietorship: you still file Schedule C on your personal return. (You *may* obtain an EIN and keep business bank accounts, which is wise.) A multi-member LLC is treated as a partnership by default, filing Form 1065. However, LLCs can also elect to be taxed as a corporation or S-corporation by filing IRS Form 8832 or 2553.
- **State Example – California:** Every LLC doing business or organized in California must pay an annual **\$800 minimum tax**, even its first year (unless newly formed in 2023). California also requires you to file Articles of Organization with the Secretary of State, and a Statement of Information yearly. In contrast, California sole proprietors can operate without filing formation paperwork (though a DBA may be filed locally).
- **State Example – Texas:** Texas has **no personal income tax**. LLCs in Texas must register with the Secretary of State and file an annual report. Texas levies a franchise tax on businesses, but if your total annual revenue is below the no-tax threshold (about

\\$2.47 million in 2024) you owe no franchise tax – you still must file a “no tax due” report each year.

- **State Example – Florida:** Florida has **no personal income tax**. LLCs register with the Division of Corporations and file a relatively modest annual report fee (around \\$138). Florida sole proprietors have no state income tax either.

If you choose **S Corporation** status (which requires first forming a corporation or LLC), you get pass-through taxation with some payroll flexibility. An *S-corp* is a corporation that **elects** (via IRS Form 2553) to pass income and losses to owners, avoiding corporate-level tax. Shareholders report their share of profit/loss on personal returns. S-corps can help some owner-operators save on self-employment taxes by paying themselves a reasonable salary and taking remaining profits as distributions (which are not subject to payroll taxes). However, S-corps have rules: max 100 U.S. shareholders, one class of stock, and some entity restrictions. Also, payroll (W-2 for owners/employees) and more formalities (corporate minutes, etc.) are required.

Key steps to form an entity (checklist):

1. **Choose structure:** Sole prop vs LLC vs S-corp. Consider complexity, tax, liability, and state fees.
2. **Name and registration:** Pick a legal name. File a DBA (“Doing Business As”) if using a trade name. For LLC/S-corp, file Articles of Organization/Incorporation with your state.
3. **Obtain EIN:** Even a sole prop can get an EIN to separate business finances (IRS.gov, free). LLCs/corps need EINs.
4. **State filings:** Pay LLC/corporation fees (e.g. CA \\$800 tax, FL \\$138 annual report, TX franchise filings). Get local business licenses if needed.
5. **Operating agreement (LLC) or bylaws (Corp):** Draft basic governance documents (many states require an LLC Operating Agreement even if single-member).
6. **Separate banking:** Open a business bank account using your EIN to keep personal and business funds separate.
7. **Record keeping:** From day one, keep clear records of income/expenses. See “Documentation” below.

Regardless of entity, **federal tax treatment** is determined by IRS rules. If you stay a sole prop or single-member LLC, you simply report income on Schedule C (Form 1040). If you form an S-corp, your business files Form 1120-S and issues you a Schedule K-1. **Always consult a tax advisor** to determine which structure (or election) best fits your situation, especially if you travel and earn internationally.

Allowed Tax Deductions

The IRS lets businesses deduct expenses that are **“ordinary and necessary”** to run the business. In simple terms, “ordinary” means common in your type of business, and “necessary” means helpful and appropriate (not extravagant). This includes a wide range of costs. Below is an organized list of common deductions for a service-based business that travels and entertains:

- **Home Office Expenses:** If you use part of your home **regularly and exclusively** for business, you may deduct related expenses. For example, if you have a dedicated office room where you do administrative work or meet clients, you can claim a portion of your home costs. Deductible items include a percentage of your rent or mortgage interest, property taxes, utilities (electric, internet, water), insurance, and repairs allocated to the office space. The IRS offers two calculation methods:
- **Actual expenses method:** Itemize and prorate actual home expenses. For instance, if your home office is 10% of your home’s square footage, you could deduct 10% of utilities, insurance, etc. Depreciation on the home (if you own it) can also be prorated.
- **Simplified method:** Deduct \ \$5 per square foot of office space, up to 300 sq. ft (max \ \$1,500) each year. No depreciation or complex calculations needed.

Whichever method you choose, be sure the office area qualifies under IRS rules: it must be your principal place of business *or* a place to meet clients, and it must be used **exclusively** for business (no TV or kid’s stuff in there).

- **Office & Operating Expenses:** These are ordinary costs of doing business. Common deductible categories include:
- **Supplies:** Office supplies (paper, pens, printer ink, notebooks) and small tools.
- **Equipment & Depreciation:** Computers, cameras, and business equipment. Items over

\\$2,500 may need to be depreciated over time (see IRS Pub. 946), or Section 179 expensed in year 1.

- **Phone & Internet:** The portion of your cell phone and internet that is for business. If you use a cell phone partly for business, deduct the percentage used for work.
- **Software & Subscriptions:** Website hosting, domain fees, design tools, analytics services, bookkeeping software, cloud storage. Any monthly/annual business software is deductible.
- **Advertising & Marketing:** Website design, Google/Facebook ads, business cards, branded swag (to give away at events), promotional flyers. Costs to promote your services are ordinary deductions.
- **Professional Services:** Fees paid to accountants, tax preparers, attorneys, consultants, virtual assistants. Paying someone to help with your business is deductible.
- **Insurance:** Liability insurance premiums (e.g., business or professional liability insurance), business property insurance. (Personal health insurance is not deducted here; self-employed health insurance goes on Schedule 1).
- **Continuing Education:** Classes, webinars, conferences, books or courses that maintain or improve skills in your business area. (Education with a general interest may not qualify.)
- **License & Bank Fees:** Business licenses, permits, and bank account fees. Monthly account maintenance fees or merchant processing fees are deductible.
- **Vehicle Expenses:** If you use a car for business (e.g., driving to meetings or events), you can deduct either (a) standard mileage (IRS standard rate, e.g. ~68.5¢/mile in 2024) plus tolls/parking, or (b) actual auto expenses (fuel, maintenance, insurance) prorated by business use percentage. Keep a mileage log or app to document this (see **Documentation** below).
- **Meals:** When traveling overnight for business, 50% of business-related meal costs can be deducted (see Travel below). Also, meals with a client or prospect are 50% deductible if business is discussed (and properly documented).

The IRS Publication 535 (Business Expenses) outlines these categories. The key is that each expense must be "ordinary and necessary" to your business and properly documented.

Personal expenses (like your family's groceries or vacation) are not deductible.

- **Travel Expenses:** Business travel costs can be deducted if the trip is primarily for business (not personal vacation) and you travel **away from your tax home** overnight (i.e. long enough to need sleep or rest). Deductible travel expenses include: airfare or train tickets, hotels, lodging (or 50% of meals), taxis/ride-shares and rental cars (business portion), parking, tolls, shipping of business equipment, and other transportation costs. For example, if you fly to a city to meet with clients or attend a trade show, your round-trip airfare and hotel stay are deductible business expenses. Keep in mind:
 - **Record the business purpose** of each trip (e.g. meeting with \[Client Name], attending \[Conference Name]).
 - **Combine business and personal travel carefully:** If you extend a trip for personal leisure (e.g. tack on a few vacation days), you must prorate expenses. Only the days/expenses directly for business can be deducted. The IRS has "all or nothing" and partial rules for this; as a rule, document your itinerary (talks attended, meetings held) to justify business intent.
 - **Per diem vs Actuals:** You may use the IRS per diem rates for lodging and meals (which include a 50% business meal allowance) to simplify record keeping, or keep actual receipts. Either way, track your expenses.
 - **Example:** If you attend an international marketing conference, you could deduct your flight, conference registration, hotel nights, and half of your meal bills while at the conference.
- **Event-Related Expenses (Sports, Concerts, Expos, etc.):** If you attend an event (concert, sports game, expo, festival) **with a clear business purpose** (such as promoting your service or meeting potential clients), related expenses may be partially deductible. However, tax law changed in 2018: **pure entertainment expenses are generally nondeductible**. For example, buying concert tickets to entertain clients is **not** deductible as entertainment. Instead:
 - If you incur **travel, lodging, and registration fees** to attend an industry expo or trade show, treat those as ordinary travel or marketing expenses (deductible).
 - If you take clients out to dinner at a sports game, you can deduct **50% of the meal cost** (food and non-alcoholic drinks) because it's a business meal, but **tickets to**

the game or portion of event admission is nondeductible entertainment.

- If you give gifts or promotional items at events (stickers, samples), you can deduct those (subject to gift rules: \ \$25 deduction per client, per year limit on gifts to any one person).
- **Meals and Entertainment Criteria:** To deduct a meal at an event, you must have business discussion with a client/customer and keep records. Do **not** deduct admissions or event tickets as entertainment.

In all cases, expenses must be substantiated. For travel and event deductions, IRS Publication 463 is a helpful guide. Remember **50% limitation** on meals – only half of the business meal costs can be written off. Entertainment costs (tickets, entry fees) are typically disallowed entirely after 2017. Plan your spending accordingly and always note the business context.

IRS Citations: Tax law allows deduction of ordinary/necessary business expenses and details home-office rules, travel and meal rules. Consult IRS pubs (Pub 535, Pub 463, and Pub 587) for full details.

Documentation and Record keeping

Solid records are essential. The IRS expects you to keep “adequate records” to support every deduction. In practice, that means maintaining logs, receipts, and accounting documentation throughout the year. Good documentation ensures you maximize deductions while standing up to audits. Key record keeping tips:

- **Income Records:** Keep all client invoices, 1099 forms, and payment records. Reconcile bank/PayPal/Stripe deposits to invoices. Track income monthly so you know your total receipts.
- **Expense Records:** For every expense (office supplies, travel, etc.), save the receipt or invoice. At a minimum, a receipt should show the date, amount, vendor, and description. For example, keep hotel invoices (showing dates, nightly rates, taxes), meal receipts (restaurant name, date, number of people, amount) and airline tickets (itinerary and fare).
- **Mileage Log:** If you claim auto mileage, maintain a logbook or use an app. Record date,

starting/ending odometer, mileage, destinations, and business purpose of each trip. Apps like MileIQ or QuickBooks Self-Employed can automate this. IRS allows either actual mileage or actual expenses (gas, maintenance) – but you must pick one method and stick with it. Supporting evidence can be calendar notes of meetings plus bank statements for gas if you choose actual expenses.

- **Travel & Entertainment Records:** In addition to receipts, write **business purpose** on each. For a business lunch receipt, note who you met and why. For a conference, keep the agenda or brochure. For mixed business/personal trips, outline your schedule to differentiate business days. These written records make your deductions credible. As IRS Pub 463 notes, adequate records could be an account book, diary, log, trip sheets or expense statements that show amount, date, place, and business purpose.
- **Digital Tools:** Consider accounting software (QuickBooks, FreshBooks, Xero) or spreadsheets. Scanning receipts (with apps like Expensify, Shoeboxed, or even taking smartphone photos) prevents piles of paper. Many apps allow attaching receipts directly to expense entries. Monthly bank statements also help verify totals.
- **Bank and Credit Cards:** Use a business credit card or bank account exclusively for business. While not strictly required by law, it simplifies tracking. Never commingle p
- **Record Retention:** IRS generally requires keeping records for at least 3 years after filing (often longer if payroll taxes or fraud involved). Keep tax returns with their backup (1099s, W-2s, etc.). Destroy physical documents only after scanning to digital, or after the retention period.

Before tax time, gather all documentation for your CPA or tax preparer. Typically, you'd submit: a categorized **Profit and Loss Statement** (listing income and expense totals), detailed receipts/invoices, bank/credit card statements, mileage logs, and any 1099s (from payments to contractors) or K-1s (if you formed an S-corp or partnership). The more organized you are, the more deductions you will catch.

Throughout the year, update your records regularly (at least monthly). For example, enter each expense into a spreadsheet or software, file receipts by category (e.g. "Travel," "Office Supplies," "Meals"), and reconcile bank transactions. This way, year-end taxes won't be a scramble. Consistency is key – the IRS suggests keeping a log of expenditures so that "duplicate information in your account book or other record that duplicates information shown on a receipt is acceptable, as long as your records and receipts complement each other".

Finally, **transportation and mileage:** The IRS allows deducting business vehicle expenses, but you must have a log. For example, a canceled check for gas doesn't prove business use unless accompanied by a note of purpose. The simplest evidence is a mileage log plus either the standard mileage rate or total actual vehicle costs. The IRS standard mileage rate for 2024 is 67 cents/mile (68.5¢ in 2025) — use whichever is more favorable to you, but track it carefully.

Templates and Examples

Below are sample template formats you can customize and use for tracking your business finances.

Sample Expense Tracking Sheet

Date	Category	Description	Amount
2024-05-03	Office Supplies	Printer ink cartridge	\$45.00
2024-05-12	✔ Software/Hosting	Link-Tree hosting (monthly)	\$60.00
2024-05-10	✔ Internet/Phone	Business phone bill (50% business use)	\$30.00
2024-05-18	✔ Meals	Lunch with client (Bob Smith) – 50% deductible	\$25.00
2024-05-20	✔ Airfare	Flight to NYC conference	\$350.00
2024-05-21	✔ Hotel	2 nights at conference hotel	\$500.00
2024-05-22	✔ Rental Car	Business car rental	\$200.00
2024-05-25	Advertising	Google Ads spend	\$75.00
			Total \$1345.00

Notes: In your actual records, be sure to keep receipts/invoices for each entry above. Mark business percentages where applicable (e.g., 50% of meals deductible).

Sample Monthly Profit & Loss (Income and Expenses)

Category	This Month (\$)
Income	

Your Link-Tree Service Revenue	5,000.00
Total Income	5,000.00
Expenses	
→ Software/Hosting (Link-Tree hosting)	60.00
→ Home Office (rent/util)	300.00
→ Internet/Phone (50%)	75.00
→ Travel (airfare, hotel)	800.00
→ Meals/Entertainment (50%)	450.00
Advertising/Marketing	100.00
Computer/Equipment	250.00
Insurance (business)	60.00
Bank/Processor fees	20.00
Miscellaneous Office	40.00
Total Expenses	2,155.00
Net Profit (Loss)	Taxable Income → 2,845

This summary helps your CPA prepare the Schedule C. It aligns with Schedule C categories (e.g. Travel, Meals, Office Expense). Provide supporting details for each category.

Sample Travel Log

Date	From – To	Purpose	Miles
2024-04-15	Home – City A	Meet potential client (John D.)	50
2024-04-16	City A – City B	Travel Expo (handed out business cards)	100
2024-04-17	City B – Home	Return from expo	100
2024-05-02	Home – City C	Coachella (handed out business cards)	120
Business Total			370
Reimbursement			TBD

Keep similar logs for each trip. If you use a smartphone, apps can log this automatically. For

each trip, note business reason. *Note:* If you drive only part of a trip for business, prorate the miles. For example, if you drove to City B for business meetings but spent a weekend there for personal reasons, only count the business portion.

Simple Business Plan Summary (Optional)

- While not required for tax filing, having a one-page summary of your business plan can clarify your goals and strategies when planning deductibles (especially if audited).
Example outline:
- **Business Name & Services:** Your trade name and summary of your Private-Label Link-Tree Service Business (e.g. offering custom link management for clients).
- **Ownership:** You (sole proprietor or entity details).
- **Market & Clients:** Brief on target market (e.g. local and international travelers, fitness influencers, artists).
- **Growth Strategy:** (e.g. attend international expos in sports and music industries to attract clients).
- **Sales & Revenue Model:** (e.g. subscription fees, one-time setup charges).
- **Expense Strategy:** (e.g. keep a streamlined home office; travel to major events; hire contractors for web design).
- **Financial Projections:** Short notes on expected income vs. key deductible expenses (home office, travel, advertising).

This “business plan” isn’t mandatory for taxes, but it helps put expenses in context: for instance, showing an IRS examiner that your event travel is part of a planned growth strategy.

Checklists and Charts

Use these quick-reference checklists to ensure you claim all relevant deductions and comply with rules.

Common Business Deductions Checklist

- ☑ **Home Office:** Exclusive business use, principal place. Deduct % of rent, utilities, etc. (IRS Pub 587).
- ☑ **Office Expenses:** Supplies, computers, phone, internet (business portion), software subscriptions.
- ☑ **Marketing:** Website costs, online ads, printed materials, business cards.
- ☑ **Travel:** Business flights, hotels, rental cars, taxis (tax home rules apply).
- ☑ **Meals:** 50% of business meals (when traveling or meeting clients).
- ☑ **Vehicle:** Car mileage (standard rate) or actual expenses (log must show business use).
- ☑ **Conferences & Expos:** Registration fees, booth costs, travel (as above).
- ☑ **Insurance:** Business liability and property insurance premiums.
- ☑ **Professional Fees:** CPA/tax prep, legal, consulting, bookkeeping.
- ☑ **Bank/Payment Fees:** Account fees, transaction fees.
- ☑ **Education:** Training related to your trade, industry webinars.
- ☑ **Miscellaneous:** 1099 contractor fees, dues to professional organizations, part of utilities if not home-office.

Check each item. If you pay for it and it's necessary for your business, it's likely deductible. Always have receipts.

- ☑ **Trip Primarily Business:** Document business purpose of trip (conferences, client meetings).
- ☑ **Away from Tax Home:** Must sleep/rest away from main place of work (overnight).
- ☑ **Transportation:** Deduct round-trip travel (plane/train/car) for business.

✓ **Lodging:** Hotel costs during business trip days.

✓ **Meals:** Only 50% of meals on business travel days are deductible.

✓ **Entertainment:** Not deductible (concert/game tickets) after 2017. Do **not** claim tickets or event fees as a deduction.

✓ **Allocation:** If a trip mixes business and personal, allocate costs by day. Keep itinerary notes.

✓ **Documentation:** Keep receipts with date, place, business purpose, attendees noted.

✓ **Auto Mileage:** Log miles when driving for business trips. If personal, only claim business portion.

By following these criteria and keeping logs, you ensure only legitimate business travel costs are deducted.

Business Entity Formation Steps

1. **Choose Your Entity:** Decide between Sole Proprietor, LLC, or S-Corp (based on liability/tax needs).
2. **Register Your Name:** File a DBA ("doing business as") if using a trade name instead of personal name.
3. **File Formation Documents:** For LLC/S-Corp, file Articles of Organization/Incorporation with your State. Pay required fees.
4. **Obtain EIN:** Apply online at IRS.gov for an Employer ID Number (free). Needed for LLCs/S-Corps and advised for sole props.
5. **Set Up Formalities:** For LLC – create an Operating Agreement; For Corp – create bylaws and issue stock.
6. **Get Licenses/Permits:** Obtain any local business licenses or seller's permits (e.g. for sales tax).
7. **Open Business Accounts:** Bank account and credit card in business name. Keep finances separate from personal.

8. **Register for Taxes:** If needed, register for state sales tax or payroll taxes.

9. **Maintain Compliance:** File annual reports (CA requires \ \$800 LLC tax, TX requires franchise filings, etc.) and keep corporate records.

Following these steps helps legitimize your business and provides legal protections. Always check your state's specific requirements.

Final Notes and Professional Advice

This guide covers many of the major deductions and record keeping practices for a traveling sole proprietor or small entity owner. **However, tax laws change often** and every situation is unique. *Consult a qualified accountant or tax advisor* to tailor this information to your business. Your CPA can help ensure you're using the best entity structure, maximizing deductions, and filing all forms correctly. Keep this guide handy as a reference, but always rely on your accountant for personalized tax planning.

Disclaimer: This information is for informational purposes only. It does not constitute legal, tax, or financial advice. Always consult a professional.

Can you create a
6 figure side-income
with a \$2 a day
side-business?



www.razes.com