Remember to Take All Marketing Costs for Small Business Tax Deductions

A relatively new small business CEO told me this week that he was not sure about whether he had identified all of the company’s marketing efforts for his 2019 tax deductions. That is a good reminder because small business owners can make tax deductions work to their advantage and significantly lower their taxable business income. Any strategy for keeping more cash in your pocket is worth understanding, especially when you’re just starting out. My common reminder is to make sure that they work closely with their tax account on these kinds of questions, but this topic is a good reminder for all businesses, so let us dig into this in today’s column.

Most small business owners are familiar with common tax deductions like mileage and business supplies, but marketing expenses and other costs put towards advertising the business tend to get forgotten.

It’s easy to rack up expenses quickly with an aggressive marketing strategy. But, even if you have a minimal advertising budget, you’re still likely to be eligible for a surprising number of deductions.

The IRS issued updated guidelines in 2018 through its Tax Cuts & Jobs Act as to what qualifies as a deductible business expense. In the most recent version of that act, the IRS describes qualifying advertising expenses as the costs directly related to your business activities that work to keep your name before the public if it relates to business you reasonably expect to gain in the future.
The list below outlines the types of marketing expenses that typically qualify. Make sure to keep an eye on these costs throughout the year so you can deduct them next tax season.

1. Website

The only business that doesn’t need a website is a business that doesn’t need customers. As you probably know, you’re going to have to put up the cash and invest in a website for your business if you haven’t already. Once your website is live and it’s helping you do business, there are regular maintenance updates, upgrades and continuous tweaks that need to be handled. The amount you pay for a new website is a large deductible expense. If you work with a website developer or digital marketing agency throughout the year to handle updates, those costs also count as marketing expenses eligible for a tax deduction.

2. Promotional Print Materials

Printing costs add up fast, especially if you’re printing in color or adding treatments like a gloss finish to a print piece. And, custom print jobs are even more costly.

Promotional print materials are typically eligible for a deduction. These could include:

- Business Cards
- Postcards
- Direct Mailers
- Flyers
- Product Brochures
- Tradeshow Displays

3. Social Media and other digital and non-digital marketing campaigns

Most today’s businesses are involved in some type of digital marketing. Most of these expenses are deductible. Examples of digital marketing expenses you should keep track of for deductions include:
• Google AdWords and Pay-Per-Click (PPC) Campaigns
• Facebook, Instagram, and Twitter Campaign Ads
• Social Marketing Media
• Influencer Marketing
• Networking and lead generation groups like Business Network International (BNI)
• Display Banner Ads
• Email Marketing
You can add to this the cost of outsourcing digital marketing campaigns if your business hires a marketing consultant or firm.

4. Traditional Advertising
Every type of traditional advertisement, from an ad in the newspaper to a TV spot to a full-page, glossy magazine ad, are typically tax-deductible. If you have a marketing agency purchasing ads on your behalf, their fees become what you claim. For every ad you purchase, maintain a record of the signed insertion order. This is the contract you sign with the media company – the newspaper, TV station, magazine publisher, etc. – that includes a detailed description of which ads you’re buying and for what amount. If your agency is handling the insertion orders on your behalf, you’ll want to keep a record of the paid invoice for their services.

5. Start-Up Marketing Expenses
Yes, you can even deduct the marketing expenses your business incurs before your official launch date. The IRS considers a start-up expense deductible if it meets two criteria:

1. It’s a cost you pay or incur before the day your active trade or business begins.
2. It’s a cost you could deduct if you paid or incurred that expense to operate an existing active trade or business in the same field as the one you entered into.
This can include expenses like:

- Website
- Business Cards
- Posters and Banners
- Advertising

Like an established business, a start-up can deduct the expense of hiring a marketing or public relations agency to help prepare a press release, media campaign, launch event or any other number of efforts that help you make a splash when your business begins.

The IRS wants to see a receipt or paid invoice to back-up every marketing expense you deduct. But, it’s also smart to keep a log of what the marketing expense was used for and how it helped your business bring in revenue. The more information, the better so you’re ready to justify each deduction should you ever get audited.

Bridget Weston, Acting CEO of the SCORE Association, wrote recently that “A business’ marketing budget can tie up a lot of capital, so it’s critical that you take advantage of every possible deduction at tax time. Managing expenses weekly or monthly rather than once a year when tax time rolls around is one of the best ways to make sure you’re ready for tax season.”

Dean L. Swanson  
Southeast Minnesota SCORE  
c/o Rochester Area Chamber of Commerce  
220 South Broadway, Suite 100  
Rochester, MN 55904  
www.seminnesota.score.org/  
*Dean is a volunteer Certified SCORE Mentor and former SCORE Chapter Chair, District Director, and Regional Vice President for the North West Region*