

A Dedicated Credit Card

By Charles Clar

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All About Taxes <http://all-about-life.com/page463954.htm>

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This feature deals with USA tax laws and how you can use them to your advantage. It is made available on a more or less weekly basis.

A Dedicated Business Credit Card

I have always recommended that you have a separate credit card for business use. This allows easy tracking of business expenses and permits you to deduct the expenses for which you are not reimbursed.

Assuming you use the card entirely for business, you are allowed to deduct all interest that is added. If you must pay interest on a credit card, try to always owe it on cards used for business. Remember, interest paid on personal credit cards hasn't been deductible in years.

Another tax benefit of using a credit card completely for business is that you can deduct the annual fees. This can sometimes be a lot depending on the issuing company so don't forget this at tax time.

If you use a credit card for both business and personal purposes, then IRS wants you to keep track of the amount for each. Based on the percentage business use for the year, you then can deduct only a part of the interest and annual fee. This is a real pain and another good reason to have a dedicated business credit card.

When choosing a business credit card, you should consider the answers to several questions:

1. Do you get a copy of the charge slips along with the monthly statement? If you don't get a copy, make sure you keep the original. It's also a good idea to fill out the information on the back of the slip describing the business purpose. IRS wants this stuff during an audit.

2. Do you earn frequent flyer miles? If so, which airlines can these points be used on and is there an expiration date on using the points? Some cards, like American Express, require that you specifically ask to become a part of the program. Don't just assume you're enrolled because you have the card.

3. Do you receive an end of year report showing expenses by category, like auto or entertainment? This makes assembling the backup for tax preparation so much easier.

4. How does the annual fee compare to competitors? Call the credit card company and tell them you're going to cut up their card unless the fee is waived. Sometimes it works!

As always, PLEASE make sure you read and understand the fine print. It wouldn't be taxes in America otherwise!

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Or just send me an email.

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