

2026 Edition

# Categorize Your Expenses Like a Pro

The Self-Employed Guide to Categorizing Business Expenses  
— Know where every dollar goes and why it matters.



Your FREE Guide from  
Self-Employed Professionals

*Brought to you by  
EZ Tax — Taxes Made Simple.*



# Business Expenses 101

## The Golden Rule:

Every deductible business expense must be BOTH of these things

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### Ordinary

Common and accepted in your industry. Other businesses like yours would typically have this expense.

### Necessary

Helpful and appropriate for running your business. It doesn't have to be essential – just useful.



## Why It Matters



**Wrong categories =**  
messy financials +  
tax prep headaches.



**Right categories =**  
accurate statements +  
maximum deductions.

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### Important Note

**Disclaimer:** This guide is for educational purposes only and does not constitute tax, legal, or financial advice. Consult your tax professional for guidance specific to your business.

# Advertising & Marketing



Facebook & Google Ads



Branding photoshoots



Print marketing materials



Sponsored posts & influencer fees

## Spending money to get your name out there?

It belongs here. This includes digital ads, print materials, and anything promoting your business to new clients.



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**PRO TIP:** Tools like Canva or Flodesk can go here OR in Software & Subscriptions. Your choice — just pick one and NEVER switch mid-year. Consistency is everything!

# Software & Subscriptions

- ✓ QuickBooks or Xero
- ✓ Your CRM
- ✓ Project management tools
- ✓ Slack & communication apps
- ✓ Scheduling software
- ✓ Google or Microsoft 365

Digital tools that help your business run belong here.

**Ask yourself:** Is this a digital tool helping me run my business?  
If yes — Software & Subscriptions it is!

## **#1 RULE — CONSISTENCY:**

Don't categorize something as Software in January and switch it to Marketing in June. Pick a category and stick with it all year long. Check last month's entry if you forget!



# Website & Hosting

- ✓ Website hosting
- ✓ Domain registration
- ✓ Squarespace or Showit builders
- ✓ Website templates (self-installed)

Anything that keeps your website online, functional, and on-brand goes here. If it touches your website – it belongs in this category.

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**PRO TIP:** Paid a contractor for custom web design? That goes in Contract Labor instead. But a Canva or Etsy template you installed yourself? Leave it right here in Website & Hosting.

A stylized illustration of an office desk with two laptops, a lamp, and various icons like a padlock, a globe, and a smartphone. The background is a gradient of green and blue.

# Equipment & Technology

- ✓ Laptop & tablets
- ✓ Monitors & printers
- ✓ Office furniture

Tangible property you use to do your job. Laptops, tablets, monitors, printers, and certain office furniture all belong here.

**Big purchase?** Ask your accountant if it should be CAPITALIZED as an asset — not expensed!

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**PRO TIP:** Depending on the cost, it may make more sense to capitalize (treat as an asset on your balance sheet) rather than expense the purchase. Always flag big purchases to your accountant!



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# Professional Services

Expenses paid to a professional for a service.

- ✓ CPA & tax prep fees
- ✓ Bookkeeping services
- ✓ Legal services
- ✓ Business consultants

Always collect a W-9 — you may need to issue a 1099!

# Salaries & Wages vs Contract Labor



Know the difference it matters for taxes!

## SALARIES & WAGES

- ✓ Employees
- ✓ Salaries & hourly wages
- ✓ Bonuses
- Track separately: Payroll Taxes (SS, Medicare, FUTA)
- Track separately: Employee Benefits (retirement, health insurance)

## CONTRACT LABOR

- Freelancers
- ✓ Social media managers
- ✓ Virtual assistants
- ✓ Copywriters
- Get a W-9 BEFORE first payment makes filing 1099-NECs in January so much easier!

# TRAVEL EXPENSES



- ✓ FLIGHTS
- ✓ HOTELS & LODGING
- ✓ RENTAL CARS
- ✓ MEALS WHILE

Travel away from your tax home base for a clear business purpose. Client meetings, conferences, trade shows, and continuing education all qualify.

**TRAVELING**  
**(50% DEDUCTIBLE ONLY!)**



NOT DEDUCTIBLE: Checking emails on a beach vacation doesn't count! Travel must serve a genuine business purpose. Always document the business reason for your trip.



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# Your Expense Cheat Sheet

**Rent** — Physical space outside your home to run your business. Work from home? Ask about the home office deduction!

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**Merchant Fees** — Stripe, Square, PayPal processing fees all go here.

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**Interest Expense** — Only the INTEREST portion of loan/credit card payments (not the principal!).

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**Continuing Education** — Improving skills for your CURRENT business only. A new career? Not deductible.

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**Office Supplies** — Everyday items: printer paper, ink, folders, pens.

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**Insurance** — General liability, E&O, commercial property, cybersecurity premiums.



# Ready to Make Bookkeeping EZ?

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