

Small Business Insights

Is Business Insurance Tax Deductible?



Provided by: Evergreen Insurance LLC

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Navigating the tax code can be complex for businesses of all sizes and sectors. Specifically, business owners may question whether their business insurance is tax deductible. In general, the answer is yes. According to the [IRS](#), business owners can deduct ordinary and necessary business expenses. This means that several types of commercial insurance premiums are deductible. Read on for more information.

Deductible Premiums

The following types of business insurance premiums can typically be deducted:

- **Commercial property insurance**—This coverage can help pay for repair or replacement costs if a business owner's commercial property gets damaged by a covered event (e.g., fire, theft and vandalism).
- **General liability insurance**—This coverage may assist with the resulting expenses if a business owner is held responsible for third-party injuries or property damage.
- **Cyber insurance**—This coverage can help pay for losses a business owner may face due to data breaches or other cybersecurity incidents, including notification and recovery costs.

Business owners may be able to deduct business insurance premiums as ordinary and necessary expenses.



- **Business interruption insurance**—This coverage may assist with lost income and ongoing expenses if a business owner is forced to temporarily close their doors due to a covered incident.
- **Professional liability insurance**—This coverage can help pay for the resulting costs if a client or customer claims a business owner's services were negligent or otherwise inadequate.
- **Workers' compensation insurance**—This coverage may assist with employees' medical expenses, lost wages and other benefits after they experience work-related injuries or illnesses.
- **Commercial auto insurance**—This coverage can help pay for losses a business owner may encounter following accidents or other damages stemming from their use of commercial vehicles.

Other types of insurance that can be deducted include employee health and life insurance premiums. Additionally, state unemployment insurance fund contributions may be deductible as taxes depending on applicable state laws.

Nondeductible Premiums

Some business insurance premiums generally cannot be deducted, such as:

- Loss of earnings insurance that can help pay for lost income due to a business owner's sickness or disability
- Life insurance where a business owner is directly or indirectly included as the policy's beneficiary

Funds placed in into a self-insurance reserve are also nondeductible.

As a whole, there are several nuances regarding tax filings and it's vital for business owners to ensure they adhere to applicable regulations. Business owners should consult trusted tax professionals to learn more and determine which of their policies' premiums can be written off.



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