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A Law Firm's Guide to Tax Season Preparation

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As tax season approaches, law firms face a familiar set of challenges — organizing records, compiling deductions, and ensuring compliance with complex tax rules. Whether your firm maintains meticulous records year-round or tackles tax prep closer to the deadline, **understanding the latest regulations for the 2024 tax year is essential** for smooth filing.

This guide highlights key deductions, important deadlines, and strategies to help law firms successfully navigate tax season.

Understanding 2024 Tax Responsibilities for Law Firms

Before preparing your law firm's taxes, you must understand your firm's responsibilities based on its business structure, as different entity types have different tax requirements. You'll also need to account for different employee and contractor classifications.

- **Partnerships and LLPs**: These pass-through entities file informational returns (Form 1065), but profits flow through to partners, who report their share of the partnership's income on their personal tax returns.
- **S-Corps**: Like partnerships, S-Corporations pass income through to shareholders, who report it on personal returns. S-Corps file Form 1120-S.
- **C-Corps**: C-Corporations are taxed at the corporate level (21% federal corporate tax rate) and file Form 1120.
- **Sole Proprietorships**: Solo attorneys operating under their own names file Schedule C along with their personal tax returns.

You must also classify your firm's workers correctly. Employees require W-2 forms, while independent contractors must receive 1099-NEC forms.

With this foundational understanding of your firm's tax responsibilities, you're ready to start preparing your taxes.

Step 1: Know your deadlines

For calendar year firms, 2024 tax deadlines are:

- W-2s and 1099-NECs to recipients: January 31, 2025
- Partnership and S-Corp returns: March 17, 2025

- Individual, C-Corp, and sole proprietorship returns: April 15, 2025
- Extended deadlines (if needed):
    - Partnerships and S-Corps: September 15, 2025
    - Individuals and C-Corps: October 15, 2025

Step 2: Organize your law firm's records

The next step is organization. If you've maintained accurate financial records throughout the year, this step should be straightforward. But other firms may have to put in extra work to get their records in order. Documents like previous tax returns, payroll records, expense receipts, income statements, and balance sheets need to be compiled and organized into a system before being handed over to your firm's accountant. Disorganized and incomplete files can lead to filing errors, so organized accounting operations followed throughout the year are essential.

Step 3: Maximize tax deductions for law firms

At the bare minimum, business expenses must be both ordinary and necessary for a legal practice in order to be claimed. Let’s take a look at some of the most commonly used law firm deductions, along with precautions to consider before claiming them as business expenses.

Credit card transaction fees

An increasing number of law firms accept credit card payments from clients, and many credit card processing companies charge firms a per transaction or monthly flat fee in exchange for transferring those payments. The IRS has determined that the fees associated with these transactions may be deducted as businesses expenses.

Office expenses

The rules around deducting office expenses can be somewhat confusing, so it’s important to consult a tax professional before filing. However, some of the most common tax deductions related to law office expenses include:

- Interest costs for rent or mortgage on the law office building or buildings
- Home office deductions for law firms that are conducting business remotely
- Office furniture and equipment may be deductible as first-year expenses, regular depreciation, or as safe harbor.
- Normal office supplies may be deducted in full during the year of purchase, based on the premise that the firm only purchases what is reasonably expected for usage within the year.
- Office maintenance, as well as some repairs

Marketing and advertising costs

Most law firm marketing expenses can be deducted, including website costs and print advertisements. For firms that include networking within their marketing strategies, a percentage of meal and entertainment expenses may also be deductible as long as the event was primarily related to firm business.

Continuing legal education (CLE)

Legal professionals can typically deduct education expenses that are deemed necessary to the profession.

Under some circumstances, legal conferences may also be eligible deductions if they are targeted towards improving the law practice in some way. It’s best to notify the firm accountant about all educational expenses so they can determine which are appropriate deductions.

Professional Dues

Dues paid by law firms to professional associations on behalf of firm members may also be deductible as business expenses. This includes bar fees, trade association dues, and chamber of commerce fees. Public service organizations may also qualify as long as their main purpose is the provision of community services.

Insurance

Law firms may also be able to deduct a variety of insurance premiums. As stated by the IRS, this includes malpractice insurance covering personal liability for professional negligence. Premiums for property insurance to cover damage and liability for incidents inside the physical law office may also be fully deductible.

Legal research and subscriptions

In order to stay on top of legal industry trends and changes to the law, firms need to purchase a variety of resources for members to utilize. Online research platforms, legal publications, and industry memberships are deductible if they’re purchased by for the firm and used to support your legal work. There may be caveats based on subscription length and terms, so it’s always best to consult an accountant for clarity.

Travel expenses

Travel on behalf of a law firm may also be tax-deductible. That includes travel that occurs outside of a regular radius to handle a specific case or research a particular matter. Travel cost deductions may also include air travel and hotel accommodations to conferences or out-of-state meetings, as long as they are substantially related to the business of practicing law.

Step 4: Review eligibility for Qualified Business Income (QBI) deduction

Firms operating as partnerships, LLCs, or S-Corps may be eligible for a 20% deduction on qualified business income. This valuable deduction is still available for 2024 — but it begins to phase out for high-income firms, especially professional service firms like law firms.

- Phase-out begins at $191,950 (single) or $383,900 (married filing jointly).
- Above these thresholds, law firms must calculate eligibility based on wages paid and depreciable assets.

Step 5: Prepare for the future

While your immediate focus is 2024, law firm leaders should be aware that many provisions from the Tax Cuts and Jobs Act (TCJA) — including the 199A pass-through deduction and bonus depreciation — are set to expire after 2025 unless Congress acts.

This makes 2024 and 2025 critical years for tax planning — particularly for firms considering large purchases, restructures, or succession planning.

The takeaway

The most important components of tax preparation for law firms are deadlines, organization, deductions, and documentation. By staying organized and proactive, your firm can reduce tax liability, avoid penalties, and ensure compliance — all while freeing up valuable time to focus on clients. The information outlined in this guide is purely informational and should not be used as advice. Law firms should consult a qualified tax professional who understands the legal industry to successfully prepare and file taxes.

Learn how Centerbase sets you up for success during tax season and beyond with streamlined accounting and banking software.

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