

Partners
Kristen P. Gose, CPA
Alyce Chapman, CPA

Are Any of My Expenses for The Truffle Conference Tax Deductible?

By Alyce SJ Chapman, CPA

Mileage Rates for 2021

Standard	56¢ per mile
Medical	16¢ per mile
Charitable	14¢ per mile

Business Use of Vehicle – 75% Rule

Farmers can claim 75% business use for vehicles used primarily for farming instead of keeping records of business mileage. Once this method is elected it must be used in future years. Likewise, if the standard mileage rate or actual expenses are used, the farmer cannot revert to the 75%.

Business Meal Update for 2021 and 2022

You may deduct 100% of your business meals that are purchased from a restaurant. A restaurant does not include a grocery store, a convenience store, specialty food store, drugstore, newsstand, vending machine, or kiosk.

Advertising Expenses

These expenses must bear a reasonable relationship to the business activity. Advertising to influence legislation is not deductible.

Special Rules for Club Dues

Dues are deductible for most business organizations such as business leagues, trade and professional associations, as well as civic and public service organizations such as Kiwanis, Lions, Rotary and similar groups. However, if the principal purpose of any of these organizations is to provide entertainment, the dues will not qualify for a deduction.

Helpful IRS Publications:

Publication 225 – Farmer’s Tax Guide
<https://www.irs.gov/pub/irs-pdf/p225.pdf>

Publication 463 – Travel, Gift, and Car Expenses
<https://www.irs.gov/pub/irs-pdf/p463.pdf>

Publication 535 – Business Expenses
<https://www.irs.gov/pub/irs-pdf/p535.pdf>

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Gifts

If you give gifts in the course of your trade or business, you may be able to deduct all or part of the cost. This chapter explains the limits and rules for deducting the costs of gifts.

\$25 limit. You can deduct no more than \$25 for business gifts you give directly or indirectly to each person during your tax year. A gift to a company that is intended for the eventual personal use or benefit of a particular person or a limited class of people will be considered an indirect gift to that particular person or to the individuals within that class of people who receive the gift.

If you give a gift to a member of a customer's family, the gift is generally considered to be an indirect gift to the customer. This rule doesn't apply if you have a bona fide, independent business connection with that family member and the gift isn't intended for the customer's eventual use.

If you and your spouse both give gifts, both of you are treated as one taxpayer. It doesn't matter whether you have separate businesses, are separately employed, or whether each of you has an independent connection with the recipient. If a partnership gives gifts, the partnership and the partners are treated as one tax-payer.

Example. Bob Jones sells products to Local Company. He and his wife, Jan, gave Local Company three gourmet gift baskets to thank them for their business. They paid \$80 for each gift basket, or \$240 total. Three of Local Company's executives took the gift baskets home for their families' use. Bob and Jan have no independent business relationship with any of the executives' other family members. They can deduct a total of \$75 ($\$25 \text{ limit} \times 3$) for the gift baskets.

Incidental costs. Incidental costs, such as engraving on jewelry, or packaging, insuring, and mailing, are generally not included in determining the cost of a gift for purposes of the \$25 limit.

A cost is incidental only if it doesn't add substantial value to the gift. For example, the cost of gift wrapping is an incidental cost. However, the purchase of an ornamental basket for packaging fruit isn't an incidental cost if the value of the basket is substantial compared to the value of the fruit.

Exceptions. The following items aren't considered gifts for purposes of the \$25 limit.

1. An item that costs \$4 or less and:
 - a. Has your name clearly and permanently imprinted on the gift, and
 - b. Is one of a number of identical items you widely distribute. Examples include pens, desk sets, and plastic bags and cases.
2. Signs, display racks, or other promotional material to be used on the business premises of the recipient.

Gift or entertainment. Any item that might be considered either a gift or entertainment generally will be considered entertainment. However, if you give a customer packaged food or beverages you intend the customer to use at a later date, treat it as a gift.



If you are entitled to a reimbursement from your employer but you don't claim it, you can't claim a deduction for the expenses to which that unclaimed reimbursement applies. This type of deduction is considered a miscellaneous deduction which is no longer allowable due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a).

Conventions

You can deduct your travel expenses when you attend a convention if you can show that your attendance benefits your trade or business. You can't deduct the travel expenses for your family.

If the convention is for investment, political, social, or other purposes unrelated to your trade or business, you can't deduct the expenses.



Your appointment or election as a delegate doesn't, in itself, determine whether you can deduct travel expenses. You can deduct your travel expenses only if your attendance is connected to your own trade or business.

Convention agenda. The convention agenda or program generally shows the purpose of the convention. You can show your attendance at the convention benefits your trade or business by comparing the agenda with the official duties and responsibilities of your position. The agenda doesn't have to deal specifically with your official duties and responsibilities; it will be enough if the agenda is so related to your position that it shows your attendance was for business purposes.

Table 1-1. Travel Expenses You Can Deduct

This chart summarizes expenses you can deduct when you travel away from home for business purposes.

IF you have expenses for...	THEN you can deduct the cost of...
transportation	travel by airplane, train, bus, or car between your home and your business destination. If you were provided with a free ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero. If you travel by ship, see <i>Luxury Water Travel</i> and <i>Cruise Ships</i> under <i>Conventions</i> , later, for additional rules and limits.
taxi, commuter bus, and airport limousine	fares for these and other types of transportation that take you between: <ul style="list-style-type: none"> The airport or station and your hotel; and The hotel and the work location of your customers or clients, your business meeting place, or your temporary work location.
baggage and shipping	sending baggage and sample or display material between your regular and temporary work locations.
car	operating and maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate, as well as business-related tolls and parking. If you rent a car while away from home on business, you can deduct only the business-use portion of the expenses.
lodging and meals	your lodging and non-entertainment-related meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and related tips. See <i>Meals</i> , later, for additional rules and limits.
cleaning	dry cleaning and laundry.
telephone	business calls while on your business trip. This includes business communication by fax machine or other communication devices.
tips	tips you pay for any expenses in this chart.
other	other similar ordinary and necessary expenses related to your business travel. These expenses might include transportation to or from a business meal, public stenographer's fees, computer rental fees, and operating and maintaining a house trailer.



When you travel away from home on business, you must keep records of all the expenses you have and any advances you receive from your employer. You can use a log, diary, notebook, or any other written record to keep track of your expenses. The types of expenses you need to record, along with supporting documentation, are described in [Table 5-1](#) (see chapter 5).

Separating costs. If you have one expense that includes the costs of non-entertainment-related meals, entertainment, and other services (such as lodging or transportation), you must allocate that expense between the cost of non-entertainment-related meals, and entertainment and the cost of other services. You must have a reasonable basis for making this allocation. For example, you must allocate your expenses if a hotel includes one or more meals in its room charge.

Travel expenses for another individual. If a spouse, dependent, or other individual goes with you (or your employee) on a business trip or to a business convention, you generally can't deduct his or her travel expenses.

Employee. You can deduct the travel expenses of someone who goes with you if that person:

1. Is your employee,
2. Has a bona fide business purpose for the travel, and
3. Would otherwise be allowed to deduct the travel expenses.

Business associate. If a business associate travels with you and meets the conditions in (2) and (3) above, you can deduct the travel expenses you have for that person. A business associate is someone with whom you could reasonably expect to actively conduct business. A business associate can be a current or prospective (likely to become) customer, client, supplier, employee, agent, partner, or professional advisor.

Bona fide business purpose. A bona fide business purpose exists if you can prove a real business purpose for the individual's presence. Incidental services, such as typing notes or assisting in entertaining customers, aren't enough to make the expenses deductible.

Example. Jerry drives to Chicago on business and takes his wife, Linda, with him. Linda isn't Jerry's employee. Linda occasionally types notes, performs similar services, and accompanies Jerry to luncheons and dinners. The performance of these services doesn't establish that her presence on the trip is necessary to the

conduct of Jerry's business. Her expenses aren't deductible.

Jerry pays \$199 a day for a double room. A single room costs \$149 a day. He can deduct the total cost of driving his car to and from Chicago, but only \$149 a day for his hotel room. If both Jerry and Linda use public transportation, Jerry can deduct only his fare.

Meals

You can deduct the cost of meals if it is necessary for you to stop for substantial sleep or rest to properly perform your duties while traveling away from home on business. Meal and entertainment expenses are discussed in [chapter 2](#).

Lavish or extravagant. You can't deduct expenses for meals that are lavish or extravagant. An expense isn't considered lavish or extravagant if it is reasonable based on the facts and circumstances. Meal expenses won't be disallowed merely because they are more than a fixed dollar amount or because the meals take place at deluxe restaurants, hotels, or resorts.

50% limit on meals. You can figure your meals expense using either of the following methods.

- Actual cost.
- The standard meal allowance.

Both of these methods are explained below. But, regardless of the method you use, you generally can deduct only 50% of the unreimbursed cost of your meals.

If you are reimbursed for the cost of your meals, how you apply the 50% limit depends on whether your employer's reimbursement plan was accountable or nonaccountable. If you aren't reimbursed, the 50% limit applies even if the unreimbursed meal expense is for business travel. [Chapter 2](#) discusses the [50% limit](#) in more detail, and [chapter 6](#) discusses [accountable](#) and [nonaccountable](#) plans.

Actual Cost

You can use the actual cost of your meals to figure the amount of your expense before reimbursement and application of the 50% deduction limit. If you use this method, you must keep records of your actual cost.

Standard Meal Allowance

Generally, you can use the "standard meal allowance" method as an alternative to the actual cost method. It allows you to use a set amount for your daily meals and incidental expenses (M&IE), instead of keeping records of your actual costs. The set amount varies depending on where and when you travel. In this publication, "standard meal allowance" refers to the federal rate for M&IE, discussed later under *Amount of standard meal allowance*. If you use the standard meal allowance, you still must keep records to prove the time, place, and business purpose of your travel. See the recordkeeping rules for travel in [chapter 5](#).

Incidental expenses. The term "incidental expenses" means fees and tips given to porters, baggage carriers, hotel staff, and staff on ships.

- c. A program of the scheduled business activities of the meeting.
5. You attach to your return a written statement signed by an officer of the organization or group sponsoring the meeting that includes:
- a. A schedule of the business activities of each day of the meeting, and
 - b. The number of hours you attended the scheduled business activities.

retailers, the show generally is considered entertainment.

Separating costs. If you have one expense that includes the costs of entertainment and other services (such as lodging or transportation), you must allocate that expense between the cost of entertainment and the cost of other services. You must have a reasonable basis for making this allocation. For example, you must allocate your expenses if a hotel includes entertainment in its lounge on the same bill with your room charge.

Exceptions to the Rules

In general, entertainment expenses are nondeductible. However, there are a few exceptions to the general rule including:

- Entertainment treated as compensation on your originally filed tax returns (and treated as wages to your employees);
- Recreational expenses for employees such as a holiday party or a summer picnic;
- Expenses related to attending business meetings or conventions of certain exempt organizations such as business leagues, chambers of commerce, professional associations, etc.; and
- Entertainment sold to customers. For example, if you run a nightclub, your expenses for the entertainment you furnish to your customers, such as a floor show, aren't subject to the nondeductible rules.

Examples of Nondeductible Entertainment

Entertainment events. Generally, you can't deduct any expense for an entertainment event. This includes expenses for entertaining guests at nightclubs; at social, athletic, and sporting clubs; at theaters; at sporting events; on yachts; or on hunting, fishing, vacation, and similar trips.

Entertainment facilities. Generally, you can't deduct any expense for the use of an entertainment facility. This includes expenses for depreciation and operating costs such as rent, utilities, maintenance, and protection.

An entertainment facility is any property you own, rent, or use for entertainment. Examples include a yacht, hunting lodge, fishing camp, swimming pool, tennis court, bowling alley, car, airplane, apartment, hotel suite, or home in a vacation resort.

Club dues and membership fees. You can't deduct dues (including initiation fees) for membership in any club organized for business, pleasure, recreation, or other social purposes.

This rule applies to any membership organization if one of its principal purposes is either:

- To conduct entertainment activities for members or their guests; or
- To provide members or their guests with access to entertainment facilities, discussed later.

The purposes and activities of a club, not its name, will determine whether or not you can deduct the dues. You can't deduct dues paid to:

- Country clubs,
- Golf and athletic clubs,
- Airline clubs,
- Hotel clubs, and
- Clubs operated to provide meals under circumstances generally considered to be conducive to business discussions.

Gift or entertainment. Any item that might be considered either a gift or entertainment generally will be considered entertainment. However, if you give a customer packaged food or beverages that you intend the customer to use at a later date, treat it as a gift.

Meals

As discussed above, entertainment expenses are generally nondeductible. However, you may continue to deduct 50% of the cost of business meals if you (or an employee) is present and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant, or similar business contact.

Food and beverages that are provided during entertainment events are not considered entertainment if purchased separately from the entertainment, or if the cost of the food and beverages is stated separately from the cost of the entertainment on one or more bills, invoices, or receipts. However, the entertainment disallowance rule may not be circumvented through inflating the amount charged for food and beverages.

Other rules for meals and entertainment expenses. Any allowed expense must be ordinary and necessary. An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense doesn't have to be required to be considered necessary. Expenses must not be lavish or extravagant. An expense isn't considered lavish or extravagant if it is reasonable based on the facts and circumstances.

Examples. For each example, assume that the food and beverage expenses are ordinary and necessary expenses under section 162(a) paid or incurred during the tax year in carrying on a trade or business and are not lavish or extravagant under the circumstances. Also assume that the taxpayer and the business contact are not engaged in a trade or business that has any relation to the entertainment activity.

Example 1. Taxpayer A invites B, a business contact, to a baseball game. A purchases tickets for A and B to attend the game. While at the game, A buys hot dogs and drinks for A and B. The baseball game is entertainment as defined in Regulations section 1.274-2(b)(1)(i) and, thus, the cost of the game tickets is an entertainment expense and is not deductible by A. The cost of the hot dogs and drinks, which are purchased separately from the game tickets, is not an entertainment expense and is not subject to the section 274(a)(1) disallowance.

2.

Meals and Entertainment

You can no longer take a deduction for any expense related to activities generally considered entertainment, amusement, or recreation. You can continue to deduct 50% of the cost of business meals if you (or your employee) are present and the food or beverages aren't considered lavish or extravagant.

TIP *If food or beverages are provided during or at an entertainment event, and the food and beverages were purchased separately from the entertainment or the cost of the food and beverages was stated separately from the cost of the entertainment on one or more bills, invoices, or receipts, you may be able to deduct the separately stated costs as a meal expense. For more information, see Notice 2018-76, available at [IRS.gov/irb/2018-42_IRB#NOT-2018-76](https://www.irs.gov/irb/2018-42_IRB#NOT-2018-76).*

Entertainment

Entertainment—Defined

Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation. Examples include entertaining guests at nightclubs; at social, athletic, and sporting clubs; at theaters; at sporting events; on yachts; or on hunting, fishing, vacation, and similar trips. Entertainment may also include meeting personal, living, or family needs of individuals, such as providing meals, a hotel suite, or a car to customers or their families.

Deduction may depend on your type of business. Your kind of business may determine if a particular activity is considered entertainment. For example, if you are a dress designer and have a fashion show to introduce your new designs to store buyers, the show generally isn't considered entertainment. This is because fashion shows are typical in your business. But, if you are an appliance distributor and hold a fashion show for the spouses of your

THIS IS NOT AN OFFICIAL INTERNAL REVENUE FORM

Table 5-3. Weekly Traveling Expense Record

From: _____ **To:** _____ **Name:** _____

Expenses	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
1. Travel Expenses:								
Airlines								
Excess Baggage								
Bus – Train								
Cab and Limousine								
Tips								
Porter								
2. Non-Entertainment-Related Meals and Lodging:								
Breakfast								
Lunch								
Dinner								
Hotel and Motel (Detail in Schedule B)								
3. Other Expenses:								
Postage								
Telephone & Telegraph								
Stationery & Printing								
Stenographer								
Sample Room								
Advertising								
Assistant(s)								
Trade Shows								
4. Car Expenses: (List all car expenses—the division between business and personal expenses may be made at the end of the year.) (Detail mileage in Schedule A (if applicable).)								
Gas, oil, lube, wash								
Repairs, parts								
Tires, supplies								
Parking fees, tolls								
5. Other (Identify)								
Total								
Note: Attach receipted bills for (1) ALL lodging and (2) any other expenses of \$75.00 or more.								
Schedule A—Car								
Mileage: End								
Start								
Total								
Business Mileage								
Schedule B—Lodging								
Hotel or Motel	Name							
	City							
WEEKLY REIMBURSEMENTS:								
Travel and transportation expenses _____								
Other reimbursements _____								
TOTAL _____								