



1800 NW Corporate Blvd, Ste 303
Boca Raton, Florida 33431

12008 Southshore Blvd
Wellington, Florida 33414

900 Pines Blvd
Pembroke Pines, Florida 33028

2400 N.E. 2nd Ave
Miami, Florida 33137

Phone (561) 998-7770 Fax (561) 998-7771

Travel & Entertainment: Maximizing Tax Benefits

Tax law allows you to deduct two types of travel expenses related to your business, local and what the IRS calls "away from home".

1. First, local travel expenses. You can deduct local transportation expenses incurred for business purposes, for example the cost of getting from one location to another via public transportation, rental car, or your own automobile. Meals and incidentals are not deductible as travel expenses, although as you will read later in this guide, you can deduct meals as an entertainment expense as long as certain conditions are met.
2. Second, you can deduct away from home travel expenses-including meals and incidentals; however, if your employer reimburses your travel expenses, your deductions are limited.

Local Transportation Costs

The cost of local business transportation includes rail fare and bus fare, as well as the costs of using and maintaining an automobile used for business purposes. For those whose main place of business is their personal residence, business trips from the home office and back are considered deductible transportation and not non-deductible commuting.

You generally cannot deduct lodging and meals unless you stay away overnight. Meals may be partially deductible as an entertainment expense.

Away From-Home Travel Expenses

You can deduct one-half of the cost of meals (50%) and all of the expenses of lodging incurred while traveling away from home. The The IRS also allows you to deduct 100% of your transportation expenses-as long as business is the primary reason for your trip.

Here's a list of some deductible away-from-home travel expenses:

- Meals (limited to 50%) and lodging while traveling or once you get to your away-from-home business destination.
- The cost of having your clothes cleaned and pressed away from home.
- Costs for telephone, fax or modem usage.

- Costs for secretarial services away-from-home.
- The costs of transportation between job sites or to and from hotels and terminals.
- Airfare, bus fare, rail fare, and charges related to shipping baggage or taking it with you.
- The cost of bringing or sending samples or displays, and of renting sample display rooms.
- The costs of keeping and operating a car, including garaging costs.
- The cost of keeping and operating an airplane, including hangar costs.
- Transportation costs between "temporary" job sites and hotels and restaurants.
- Incidentals, including computer rentals, stenographers' fees.
- Tips related to the above.

Entertainment Expenses

There are limits and restrictions on deducting meal and entertainment expenses. Most are deductible at 50%, but there are a few exceptions. Meals and entertainment must be "ordinary and necessary" and not "lavish or extravagant" and directly related to or associated with your business. They must also be substantiated (see below).

Your home is considered a place conducive to business. As such, entertaining at home may be deductible providing there was business intent and business was discussed. The amount of time that business was discussed does not matter.

Reasonable costs for food and refreshments for year-end parties for employees, as well as sales seminars and presentations held at your home are 100% deductible.

If you rent a skybox or other private luxury box for more than one event, say for the season, at the same sports arena, you generally cannot deduct more than the price of a non-luxury box seat ticket. Count each game or other performance as one event. Deduction for those seats is then subject to the 50% entertainment expense limit.

If expenses for food and beverages are separately stated, you can deduct these expenses in addition to the amounts allowable for the skybox, subject to the requirements and limits that apply. The amounts separately stated for food and beverages must be reasonable.

Deductions are disallowed for depreciation and upkeep of "entertainment facilities" such as yachts, hunting lodges, fishing camps, swimming pools, and tennis courts. Costs of entertainment provided at such facilities are deductible subject to entertainment expense limitations.

Dues paid to country clubs or to social or golf and athletic clubs however, are not deductible. Dues that you pay to professional and civic organizations are deductible as long as your membership has a business purpose. Such organizations include business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards.

Tip: To avoid problems qualifying for a deduction for dues paid to professional or civic organizations, document the business reasons for the membership, the contacts you make and any income generated from the membership.

Entertainment costs, taxes, tips, cover charges, room rentals, maids and waiters are all subject to the 50% limit on entertainment deductions.

How Do You Prove Expenses Are "Directly Related"?

Expenses are directly related if you can show:

- There was more than a general expectation of gaining some business benefit other than goodwill.
- You conducted business during the entertainment.
- Active conduct of business was your main purpose.

Record-keeping And Substantiation Requirements

Tax law requires you to keep records that will prove the business purpose and amounts of your business travel, entertainment, and local transportation costs. For example, each expense for lodging away from home that is \$75 or more, must be supported by receipts. The receipt must show the amount, date, place, and type of the expense.

The most frequent reason that the IRS disallows travel and entertainment expenses is failure to show the place and business purpose of an item. Therefore, pay special attention to these aspects of your record-keeping.

Keeping a diary or log book--and recording your business-related activities at or close to the time the expense is incurred--is one of the best ways to document your business expenses.

If you need help documenting business travel and entertainment expenses, don't hesitate to call us. We'll help you set up a system that works for you--and satisfies IRS record-keeping requirements.

The best strategies for business and personal growth and success are specific to your business and personal situation. Your plan must be tailored to fit your unique circumstances. Contact Lanter, Leonardo & Levy for a no obligation consultation on building and preserving the company and wealth you have worked so hard to achieve.

Call Alex Leonardo or Rick Captain today at 561-998-7770