

## Steven M. Vogt, CPA, EA

### Keep Track of Meal & Entertainment Expenses

When looking for deductions to add to your taxes, don't overlook your meal and entertainment expenses. These types of expenses must be "ordinary" and "necessary" to your business or trade and must be "directly related to" or "associated with" the active conduct of business.

In order for the IRS to allow these deductions, documentation is required and should include the following items:

- The amount
- Date, time and place
- Business purpose
- Names of guests and business relationship

In addition, the surroundings must be conducive for a business meeting, and any discussion before, during or after any meal should be business-related for it to be considered for a deduction. An intimate and quiet location would be appropriate for a business discussion. Refrain from going to places with loud and distracting events that can interfere with the main objective: to talk about business. And note that merely going out to lunch with a co-worker and discussing events at work won't qualify.

A 50% deduction on entertainment expenses is allowed by the IRS if the purpose of the business is to conduct a specific business agenda. The 50% rule also covers the cost of meals during away-from-home business travel. In addition, deductions for expenses related to the meals (e.g., taxes, tips and cover charges) are also limited to 50% of cost; however, this is not true for costs of transportation to and from the meal or entertainment location.

If your employer would otherwise reimburse you for business meals but did not because it was felt that the expense was not warranted, or if you simply chose not to seek reimbursement, the expense is not deductible.

Meal and entertainment expenses are deducted directly on the business schedule of a self-employed individual, but for an employee they are a miscellaneous itemized deduction; the total of this deduction category is reduced by 2% of your adjusted gross income. So the benefit will be reduced or possibly eliminated by the 2% reduction. In addition, miscellaneous itemized deductions are not deductible at all to the extent a taxpayer is taxed by the alternative minimum tax. Buzz -

There are other important guidelines to consider, so please call our office for assistance.

Chandler Office • 1807 E. Queen Creek Road, Suite 5 • Chandler, Arizona • 85286 • (480) 732-9898