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Meet the Trainer



Keep More Commissions with Tax Breaks



Lesson 2: Maximize Your Deductible Entertainment Expenses

Limits: Since 1994 – tax law limits most entertainment expenses to 50%
Stiffer rules on the way.

Receipt rule: No receipts are required for entertainment expenses under \$75 per expense (including tip).

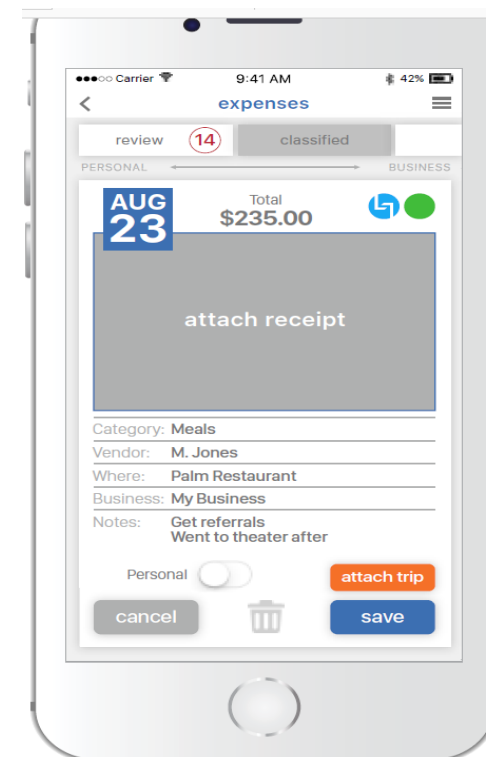
Strategy One: Discuss Business While You Eat

-Must have a bona fide and substantial business discussion just before, during, or after the business meal to qualify for deductions.

-Specific advance purpose for the entertainment is required.
ex. Striking up conversation with waitress DOES NOT qualify.

-Do not just write Prospect or Goodwill – be descriptive (presentation with (name of person), planned trip, etc.).

-No Floor show or distracting event





Strategy 2 – Deduct Theater Tickets & Other “Associated” Entertainment Expense

Not a business setting: Theater is not a place to discuss business.

Deduction Rule: Cost of theater tickets are deducted under the “associated entertainment” rule.

-No discussion of business during entertainment, but when it follows a proper, bona fide business discussion usually the same day. **There must be a link between events.**

***Any entertainment of non-business guests who did not attend business meeting results in a dis-allowance of costs.**

Documentation of a Business Meal:

- Who, Where, and Why are detailed.

Note: 100% deduction for certain businesses – ex. Attending theater performance by professional theater critics.





Strategy 3 – Deduct Season Tickets by Event

-If you hold season tickets for 15 events for the year, treat each separately & face value.

Strategy 4 – Use Entertainment Tickets as Business Gifts

- Limit \$25 to any one person during the year (husband & wife =1)
- No \$25 limit on entertainment gift – 50% deductible
- Meals are not entertainment

Strategy 5 – Feed and Entertain Your Spouse

- If your business guest brings a spouse, then you can bring yours and deduct meal. Otherwise, you cannot.





6 Substantiation Requirements for All Business Entertainment

- Type – type of expense determines documentation requirements
- Cost – cost of each entertainment expenditure must be recorded someplace. \$75 > requires receipt.
- Time – date event took place – diary page is adequate support
- Description – Nature & place of entertainment (“business meal at Greasy Lloyd’s”)
- Business Purpose – State the exact nature – Be brief but specific
- Business Relationship – Identify person(s), occupations, title, & other corroborative info
ex. – Prospect John Smith is sufficient for business meal.





Recording the Cost of Group Entertainment at Home

Test 1 - Clear Showing of commercial motivation:

You hold a travel party and the room has pictures of travel, or presentation on screen and you have several guests in the room (take pictures). Whether people join or not, the intention is clear.

Test 2 – Meets the 6 elements of substantiation that were previously discussed: Type, Cost, Time, Description, Business purpose, and Business relationships

If both tests are met, then your party is deductible whether people join or not.

