

Travel, Entertainment and Auto Tax Rules

Course Description

Updating practitioners on current developments, this core program examines and explains the practical aspects of travel and entertainment deductions. Fundamentals are reviewed and planning opportunities identified. Creative strategies are discussed and evaluated along with traditional approaches. Taxpayers are once again looking to their tax professional for guidance and planning related to travel and entertainment expenses. The goal of this course is to understand and solve problems. Participants will learn to master the proper administration of these complex and often cumbersome provisions in a humorous and entertaining format.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 16 (CPA, EA)

Field of Study: Taxes

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Course Learning Objectives

Chapter 1: Travel Expenses

1. Determine the difference between transportation and business travel under §162 by identifying types of business travel expenses and the deduction & amortization requirements of §165 and §195.
2. Specify deductible travel costs to find a new job, identify investor travel expenses, and determine deductible transportation.
3. Identify the business purpose requirement, the complications of mixed business and personal travel and costs at a destination.

4. Recognize the IRS's and Circuit Courts' definition of "tax home", identify when a taxpayer lacks a tax home, and specify the "away from home" requirement including the sleep and rest rule.
5. Identify temporary and indefinite job assignments recognizing the critical factor in distinguishing the two job assignments.

Chapter 2: Categories of Business Travel Expense

1. Identify the elements of domestic business travel and what costs are deductible.
2. Specify the "point-to-point" rule for different modes of transportation and which expenses incurred on a business trip with an extended stay or side trip are deductible.
3. Identify the rules for foreign business travel by:
 - a. Recognizing when foreign travel is fully deductible or disallowed, specifying the foreign travel allocation rule and determining total allowable foreign travel expenses; and
 - b. Determining the allocation of expenses incurred in traveling on a foreign side trip and specifying exceptions to the general rule.
4. Recognize the deduction of convention and meeting expenses based on Reg. §1.162 by:
 - a. Specifying factors under the agenda test and how the application of the this test determines if a meeting is predominantly business related;
 - b. Identifying the availability of the convention and meeting deduction to professional groups, self-employed persons, employees and the videotaped lecture rule; and
 - c. Determining the differences between foreign conventions and foreign travel and citing convention expenses permitted under §274(h)
5. Determine the rules and limitations on cruise ship conventions specifying the luxury water travel exception, recognize the companion travel expense limitations, and identify whether expenses for aides to handicapped taxpayers accompanying the taxpayers on business trips are deductible travel expenses.

Chapter 3: Local Transportation

1. Determine what constitutes transportation, local transportation, and commuting, recognize when parking fees are deductible, and specify the effect of the Washburn case on commuting deductions.
2. Identify the regular/irregular rule, determine a temporary work site under R.R. 90-23, recognize the impact of R.R. 94-47 and R.R. 99-7 on transportation between a taxpayer's residence and workplace, specify the §280A home office requirements and their impact on business transportation, and identify the hauling tool rule.

Chapter 4: Automobiles

1. Recognize the apportionment of business and personal use of an auto-mobile by:
 - a. Citing accepted methods of making an apportionment; and
 - b. Identifying the automobile costs that are generally deductible and nondeductible and their exceptions.
2. Determine actual cost method expenses, auto depreciation and §179 expensing by:
 - a. Specifying a car for purposes of these provisions, identifying basis for figuring depreciation, and determining when a car is placed in service; and
 - b. Identifying depreciation methods and conventions under the modified cost recovery system (MACRS) and citing the depreciation caps that apply to different vehicles.
3. Recognize the §179 expensing deduction's relationship to depreciation and when to use it.
4. Specify the impact of the §280F predominate business use rule, as established by the Tax Reform Act of 1984, on depreciation, excess deductions, and the former investment tax credit.
5. Determine automobile leasing elements recognizing vehicle purchase differences, specify various leasing terminology including closed-end and open-end, identify monthly lease payments and income inclusion amounts, and cite the leasing deduction restrictions.
6. Identify the mechanics of the standard mileage method including the ability to switch methods, deduct charitable and medical transportation, and MACRS depreciation limitations.
7. Recognize the differences between trading and selling a vehicle and the use of employer-provided vehicles as §132 fringe benefits by:
 - a. Determining the value of an employee's personal use of such an automobile under the valuation methods and the exclusion limits for related deductions; and
 - b. Specifying nonpersonal use vehicles, what reporting standards apply and identify the reporting requirements for employers.

Chapter 5: Entertainment

1. Determine entertainment using Reg. §1.274 and other related deductible business expenses by:
 - a. Recognizing the objective and subjective aspects of entertainment and occasions where entertainment might be reclassified as a gift or travel expense;
 - b. Identifying the pre-2018 stepped process of determining qualifying allowable entertainment expenses and the former allocation and proration of entertainment expenses including meals; and
 - c. Specifying the elements of the ordinary and necessary requirement under §162.
2. Identify the pre-2018 deductible entertainment tests of §274 by:

- a. Specifying the conditions of the former “directly related” test and examples of clear business settings that were presumed to meet the test;
 - b. Determining the meaning of the former “associated with” test in finding whether expenses have a business purpose; and
 - c. Specify the remaining statutory exceptions to §274 identifying the tenth repealed exception.
3. Identify former deductible home entertainment expenses, determine the prior limits on ticket purchases, and cite provisions under which goodwill entertainment was previously deductible.
4. Recognize the 50% reduction for meals and pre-2018 entertainment and related expenses including exceptions.
5. Determine what constitutes an entertainment facility specifying excluded facilities types and costs and recognize the effect of OBRA '93 on club dues.
6. Identify the tax benefits and substantiation requirements for business gifts, employee achievement awards, and sales incentive awards by:
 - a. Specifying the business gift dollar limitation and the incidental cost gift exclusion;
 - b. Recognizing the tax treatment of joint spousal gifts and exclusions to the annual limitation; and
 - c. Citing conditions that must be met for costs from a §74 qualified plan award program to be deductible.

Chapter 6: Substantiation

1. Identify expense categories subject to the detailed substantiation requirements of §274(d) and the exceptions to these requirements, and specify elements to be proven and which elements must be proven for the expense type.
2. Cite ways to substantiate travel and pre-2018 entertainment expenses using required records by:
 - a. Specifying when record entries must be made;
 - b. Selecting a sampling of the use of listed property for portions of a taxable year; and
 - c. Identifying documentary evidence.
3. Recognize the sufficiently corroborated statements method of substantiation including when this method can be used, and determine methods that can be used to substantiate the requisite elements of listed property expenditures and how long records should be retained.

Chapter 7: Reporting & Reimbursement of T&E Expenses

1. Identify whether an employee must file Form 2106, determine the substantiation requirements of TRA '86 and Family Support Act 1988, and specify the requirements for an accountable plan and "reasonable period of time" safe harbors.
2. Determine how to adequately account for travel and other employee business expenses by:
 - a. Specifying federal per diem rate methods and whether an employer is related to an employee to decide which per diem rate may be used;
 - b. Identifying incidental expenses under R.R. 2002-63 for accounting purposes and specifying the meal break out and 50% limitation; and
 - c. Recognizing accountable plans and nonaccountable plans and their correct reporting of employee reimbursements.
3. Determine how to report income and expenses with or without adequate accounting, specify the differences between entertainment and non-entertainment expenses incurred by an independent contractor, identify whether an employer can take deductions for reimbursed travel, meals, and/or business gifts, and determine how to make appropriate disclosures on tax returns of required information.