



51A Middle Street Newburyport MA 01950  
Phone: 800-588-7039 Fax: 877-902-4284  
[contact@bhfe.com](mailto:contact@bhfe.com) [www.bhfe.com](http://www.bhfe.com)

## Course Information

---

**Course Title: Business Travel and Entertainment #492318**

### Recommended CPE credit hours for this course

In accordance with the standards of the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

#### **CPA 2** (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy: 002146

Ohio State Board of Accountancy: M0021

Texas State Board of Accountancy: 009349

#### **EA/OTRP 2** (All States) IRS: Qualified Sponsor number: FWKKO.

IRS Course Number: FWKKO-T-00019-13-S

#### **CLU, ChFC Professional Recertification 2**

##### **Course Description**

Taxpayers are once again looking to CPAs for guidance and planning related to travel and entertainment expenses. This comprehensive mini-course examines and explains the practical aspects of business travel and entertainment deductions. To determine the expenses that taxpayers are able to deduct, fundamentals are reviewed and planning opportunities are identified. Practitioners will learn to master the proper administration of these complex and often cumbersome provisions.

**Program Delivery Method:** Self-Study (NASBA QAS Self-Study/interactive)

**Subject Codes/Field of Study**

NASBA (CPA): Taxes.

IRS (EA, OTRP): Federal Tax Law.

**Course Level, Prerequisites, and Advance Preparation Requirements**

Program Level: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

**Course Content**

Publication/Revision Date: 1/30/2018.

Author: Danny Santucci, J.D.

Final exam (online): Ten questions (multiple-choice).

**Instructions for taking this course**

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on the following page, studying the text, and studying the review questions at the end of each major section (or at the end of the course). Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

**Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://www.bhfe.com).
- Go to "My Account" and view your course.
- Select "Take Exam" for this course and follow instructions.

**Additional Information**

- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.
- CFP® and EA credits are reported weekly.

**Have a question?** Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

## Learning Assignment & Objectives

---

As a result of studying the assigned materials, you should be able to meet the objectives listed below.

### ASSIGNMENT

At the start of the materials, participants should identify the following topics for study:

- \* Transportation & travel distinguished
- \* Definition of "tax home"
- \* Temporary & indefinite assignments
- \* Business purpose requirement for business travel
- \* Convention & meetings
- \* Statutory exceptions of ordinary & necessary requirement
- \* Entertainment facilities
- \* Employee expense reimbursement & reporting
- \* Self-employed persons
- \* Employers

### Learning Objectives

After reading the materials, participants will be able to:

1. Recognize the "away from home" requirement and related deductions, determine what constitutes transportation and travel expenses noting the tests for tax home and recognize the differences between temporary and indefinite work assignments including their affect on a tax home.
2. Identify the business purpose requirement using the 51/49 percent test, determine deductible conventions and meetings, and specify the limitations applied to meals and lodging when traveling.
3. Determine what constitutes business entertainment and identify business entertainment activity deduction restrictions and disallowance.
4. Specify the §274(e) exceptions to entertainment deduction disallowance, recognize the necessity of expense substantiation, and determine accountable and non accountable plans noting the impact on deductions.

After studying the materials, answer the exam questions 1 to 10.

### Notice

This course and test have been adapted from materials and information contained in the above text and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.



## **Business Travel and Entertainment**

**By  
Danny C. Santucci**

The author is not engaged by this text, any accompanying electronic media, or lecture in the rendering of legal, tax, accounting, or similar professional services. While the legal, tax, and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the opinions based thereon cannot be guaranteed. In addition, state or local tax laws and procedural rules may have a material impact on the general discussion. As a result, the strategies suggested may not be suitable for every individual. Before taking any action, all references and citations should be checked and updated accordingly.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert advice is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

**Copyright January, 2018  
Danny Santucci**

# Table of Contents

---

<b>Course Information</b> .....	<b>ii</b>
<b>Learning Assignment &amp; Objectives</b> .....	<b>iv</b>
<b>Table of Contents</b> .....	<b>i</b>
<b>Business Travel</b> .....	<b>1</b>
Transportation & Travel Distinguished .....	1
Travel Expenses.....	1
Transportation Expenses.....	2
Definition of “Tax Home” .....	2
Circuit Court Test .....	2
IRS Test .....	3
No Tax Home .....	3
Two Work Locations .....	4
Temporary & Indefinite Assignments .....	4
Temporary Assignment .....	4
Indefinite Assignment.....	4
Time.....	4
Away From Home Requirement .....	6
Sleep & Rest Rule.....	7
Business Purpose Requirement .....	7
All or Nothing.....	7
Primarily for Business Test .....	8
Domestic Business Travel .....	8
Foreign Business Travel .....	8
Meals & Lodging .....	10
50% Deduction Limitation .....	10
Conventions & Meetings.....	10
Agenda Test.....	11
Foreign Conventions.....	11
Allowable Expenses .....	12
Cruises.....	12
Deduction Limitation.....	12
Reporting Statements.....	12
Luxury Water Travel .....	13
Exceptions .....	13
Family Member Travel Expenses.....	13
<b>Business Entertainment</b> .....	<b>14</b>
Statutory Exceptions - §274(e).....	14
Food and Beverages for Employees .....	14
Expenses Treated as Compensation.....	15
Reimbursed Expenses.....	15
Recreational Expenses for Employees.....	15
Employee, Stockholder and Business Meetings .....	16
Trade Association Meetings .....	16
Items Available to Public.....	16
Entertainment Sold to Customers .....	16
Expenses Includible in Income of Non-employees .....	16
Percentage Reduction for Meals - §274(n)(1) .....	18

Application of Reduction Rule .....	18
Exceptions - §274(n)(2).....	19
Employee Business Expenses Subject to 2% Floor Suspended .....	19
Entertainment Facilities.....	20
Exceptions .....	20
Covered Expenses.....	21
Club Dues .....	21
Sales Incentive Awards .....	22
Substantiation & Record Keeping - §274(d) .....	22
Documentation .....	22
Employee Expense Reimbursement & Reporting .....	23
Family Support Act of 1988 .....	23
Remaining Above-The-Line Deductions.....	24
Non-Reimbursed Employee Expenses - Suspended.....	34
When an Employee Needs to File Form 2106 - After 2015?.....	35
Self-Employed Persons .....	35
Expenses Related to Taxpayer's Business .....	35
Expenses Incurred on Behalf of a Client & Reimbursed .....	35
Employers .....	36
When Can an Expense Be Deducted?.....	37
Corporation.....	37
Nondeductible Meals .....	37
Employer-Provided Auto.....	37
<b>Glossary .....</b>	<b>44</b>
<b>Keywords &amp; Phrases .....</b>	<b>45</b>