



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: Business Travel and Entertainment #492324

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: 0004761 (Ethics #0011467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

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

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.

Course Content

Publication/Revision Date: 1/29/2024.

Author: Danny Santucci, J.D.

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

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

Instructions for Taking This Course

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- **You must complete this course within one year** of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, 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 Online Exam

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at 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

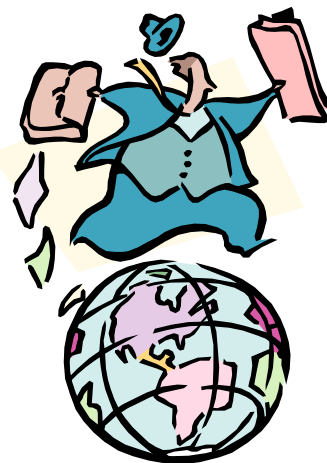
Learning Objectives

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 specifying the tests for tax home and recognize the differences between temporary and indefinite work assignments including their effect 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 stating the impact on deductions.

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 February, 2023
Danny Santucci**

Table of Contents

Business Travel	1
Transportation & Travel Distinguished	1
Travel Expenses	2
Transportation Expenses	2
Determining a Tax Home	2
Regular Place of Abode in a Real & Substantial Sense	3
Two Work Locations	3
Itinerant Worker - No Tax Home	4
Assignments	4
Temporary vs. Indefinite Assignments	4
One-Year Expectation Rule	4
Away From Home Requirement	5
Sleep & Rest Rule	6
Substantial Period	6
Business Purpose Requirement	7
Categories of Expense	7
Travel Costs to and from the Destination	7
Costs at Destination	7
All or Nothing	8
Primarily for Business Test	8
Time	8
Other Factors	8
51/49 Percent Test	8
Domestic Business Travel	8
Foreign Business Travel	9
Personal Pleasure – At Destination Only	9
Primarily Business - Partial Deduction	9
Travel Considered Entirely for Business - Full Deduction	9
Definition of Business Day	10
Meals – 50% Reduction	10
Standard Meal Allowance	11
Lodging	11
Conventions & Meetings	11
Agenda Test - Directly Related to Business	11
Foreign Conventions	12
Reasonableness Factors	12
North American Area	12
Allowable Expenses	13
Cruise Ship Conventions	13
Deduction Limitation	13
Reporting Statements	13
Luxury Water Travel	13
Exceptions	14
Family Member Travel Expenses	14
Business Entertainment	14
Statutory Exceptions - §274(e)	15

Food and Beverages for Employees	15
Expenses Treated as Compensation	16
Reimbursed Expenses.....	16
Recreational Expenses for Employees.....	16
Employee, Stockholder, and Business Meetings	17
Trade Association Meetings	17
Items Available to the Public.....	17
Entertainment Sold to Customers	17
Expenses Includible in Income of Non-employees	17
Business Meals	19
Percentage Reduction for Meals - §274(n)(1)	20
Application of Reduction Rule	20
Eating Facilities.....	20
Exceptions - §274(n)(2).....	20
Entertainment Facilities	21
Exceptions	21
Covered Expenses	21
Club Dues	22
Sales Incentive Awards	22
Substantiation & Record Keeping - §274(d)	23
Travel Expense Items to be Substantiated	23
Meal Expense Items to be Substantiated	23
Business Gifts Expense Substantiation.....	24
Substantiation Methods	24
Adequate Records.....	24
Exceptions to Documentary Evidence Requirement.....	25
Sufficiently Corroborated Statements.....	25
Exceptional Circumstances	25
Retention of Records	26
Exceptions to Substantiation Requirements	26
Payback Agreements	27
Employee Expense Reimbursement & Reporting	27
Unreimbursed Employee Expenses	27
Reimbursed Employee Expenses.....	27
Accountable Plans	28
Business Connection.....	29
Reasonable Period of Time.....	29
Fixed Date Safe Harbor - #1.....	29
Periodic Statement Safe Harbor - #2	29
Adequate Accounting	30
Per Diem Allowance Arrangements	30
Federal Per Diem Rate	30
Related Employer Restriction	35
Reporting Per Diem Allowances	36
Reimbursement More Than Federal Rate.....	36
Reimbursement More Than Federal Rate.....	37
Nonaccountable Plans	38
Self-Employed Reimbursement & Reporting.....	39
Expenses Related to the Self-Employed's Business	39
Reimbursed Expenses Incurred on Behalf of a Client	40
With Adequate Accounting	40

Without Adequate Accounting40