

Travel, Entertainment & Auto Rules

Course Description & Study Guide

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.

Field of Study: Taxes

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Learning Assignments & Objectives

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

ASSIGNMENT	SUBJECT
Chapter 1	Travel Expenses

At the start of Chapter 1, participants should identify the following topics for study:

- * Job hunting travel
- * Travel expenses of investors
- * Transportation expenses
- * Business purpose requirement
- * Circuit Court test for “tax home”
- * IRS test for “tax home”
- * No tax home
- * Two work locations
- * Away from home requirement
- * Temporary & indefinite assignments

Learning Objectives

After reading Chapter 1, participants will be able to:

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 noting the complications of mixed business and personal travel noting the 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.

After studying the materials in Chapter 1, answer the exam questions 1 to 27.

ASSIGNMENT

SUBJECT

Chapter 2

Categories of Business Travel Expense

At the start of Chapter 2, participants should identify the following topics for study:

- * Domestic business travel primarily for business
- * Point-to-point rules
- * Extended stay or side trip rule
- * Foreign business travel
- * Conventions & meetings
- * Conventions outside the North American area
- * Cruise ship conventions
- * Luxury water travel
- * Spousal & companion travel expenses

* Aides to sick & handicapped individuals

Learning Objectives

After reading Chapter 2, participants will be able to:

1. Identify the elements of domestic business travel noting 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 noting 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, and employees noting 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 noting 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.

After studying the materials in Chapter 2, answer the exam questions 28 to 44.

ASSIGNMENT

Chapter 3

SUBJECT

Local Transportation

At the start of Chapter 3, participants should identify the following topics for study:

- * Parking fees
- * Trips to union hall
- * Commuting & economic hardship
- * Irregular work site assignments

- * Home office
- * Hauling tools & equipment
- * Transportation between different sites
- * Transportation between different jobs

Learning Objectives

After reading Chapter 3, participants will be able to:

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 noting its impact on business transportation, and identify the hauling tool rule.

After studying the materials in Chapter 3, answer the exam questions 45 to 50.

ASSIGNMENT	SUBJECT
Chapter 4	Automobiles

At the start of Chapter 4, participants should identify the following topics for study:

- * Apportionment of personal & business use
- * Deduction limitations using actual cost method
- * Expensing - §179
- * Predominate business use rule
- * Auto leasing
- * Standard mileage method
- * Auto trade-in vs. sale
- * Employer-provided automobile
- * Nonpersonal use vehicle
- * Reporting of employer-provided automobile

Learning Objectives

After reading Chapter 4, participants will be able to:

1. Recognize the apportionment of business and personal use of an automobile 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 noting 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 noting 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 noting 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 noting reporting standards apply and identifying the reporting requirements for employers.

After studying the materials in Chapter 4, answer the exam questions 51 to 81.

ASSIGNMENT	SUBJECT
Chapter 5	Entertainment

At the start of Chapter 5, participants should identify the following topics for study:

- * Definition of entertainment
- * Allocation – business & nonbusiness persons
- * Directly related test
- * Associated test
- * Statutory exceptions
- * Quiet business meals & drinks
- * Ticket purchases
- * Percentage reduction for meals & entertainment

* Entertainment facilities

* Business gifts

Learning Objectives

After reading Chapter 5, participants will be able to:

- 1.** Determine entertainment using Reg. §1.274 and other related deductible business expenses by:
 - a.** Recognizing the objective and subjective aspects of entertainment noting occasions where entertainment might be reclassified as a gift or travel expense;
 - b.** Identifying the stepped process of determining qualifying allowable entertainment expenses and how to allocate and prorate entertainment expenses including meals; and
 - c.** Specifying the elements of the ordinary and necessary requirement under §162.
- 2.** Identify the deductible entertainment tests of §274 by:
 - a.** Specifying the conditions of the “directly related” test noting examples of clear business settings presumed to meet the test;
 - b.** Determining the meaning of “associated with” in finding whether expenses have a business purpose; and
 - c.** Specify statutory exceptions to §274 identifying the tenth repealed exception.
- 3.** Identify deductible home entertainment expenses, determine the limits of ticket purchases, and cite provisions under which goodwill entertainment may be deductible.
- 4.** Recognize the 50% reduction for meals and entertainment and related expenses noting 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.

After studying the materials in Chapter 5, answer the exam questions 82 to 97.

ASSIGNMENT**SUBJECT****Chapter 6****Substantiation**

At the start of Chapter 6, participants should identify the following topics for study:

- * Elements to be substantiated
- * Separate expenses
- * Adequate records method of substantiation
- * Sufficiently corroborated statements method of substantiation
- * Exceptional circumstances method of substantiation
- * Written policy statements
- * Treating vehicle as 100% personal
- * Exempt vehicles
- * Farming vehicles
- * Additional information requirements

Learning Objectives

After reading Chapter 6, participants will be able to:

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 noting which elements must be proven for the expense type.
2. Cite ways to substantiate travel and entertainment expenses noting 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 noting how long records should be retained.

After studying the materials in Chapter 6, answer the exam questions 98 to 106.

ASSIGNMENT**SUBJECT****Chapter 7****Reporting & Reimbursement of T&E Expenses**

At the start of Chapter 7, participants should identify the following topics for study:

- * Employees
- * Accountable plans

- * Adequate accounting
- * Non-accountable plans
- * Self-employed persons
- * Meal & entertainment expenses for self-employed
- * When an employer can deduct expenses
- * Meals and employer-provided autos
- * Disclosure of business use of automobiles
- * Disclosure of business use of other listed property

Learning Objectives

After reading Chapter 7, participants will be able to:

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 noting "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 noting 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
 - f. Recognizing accountable plans and nonaccountable plans noting 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, entertainment, meals, and/or business gifts, and determine how to make appropriate disclosures on tax returns of required information.

After studying the materials in Chapter 7, answer the exam questions 107 to 120.

Notice

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