

Can I Deduct My RAMS Tickets As A Business Expense?



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A common practice, in order to promote goodwill with clients or potential clients, is to take them out to sporting events. Along with being ordinary and necessary for your business, the entertainment must meet either the "Directly Related" or "Associated" test in

order to be deductible.

1. Directly Related Test (hard to pass this test at a football game) Directly related to the active conduct of business. Generally, entertainment expenses are not considered directly related if it is a situation where there are substantial distractions to prevent you from actively conducting business (such as a football game).

2. Associated Test (this one can work) The entertainment is **associated with** the active conduct of business. This generally means you can show a clear business purpose such as new business or continuation of an existing business relationship. Unless they are an owner, employee, client or potential client; your spouse, relatives or friends probably don't count.

The entertainment must be directly before or after a substantial business discussion. There is no one size fits all definition of this other than a business discussion will not be considered substantial unless you can show you actively engaged in discussion, meeting, negotiation, business transaction to get income or other business benefit such as a reasonable (meaning more than general) expectation of future income. Usually, the business discussion gets longer if the game is boring.

The discussion must also be substantial in relation to the entertainment. For example, it would be hard for a tax preparer to deduct the cost of two \$500 Super Bowl tickets in order to pick up a client that is going to pay him \$150 to prepare his tax return

Other rules that must be met include:

- You or an employee must be present. (Otherwise it is a gift subject to other restrictions.)
- If business and non-business individuals are present the costs must be allocated between deductible and nondeductible.
- Only the face value of the ticket is deductible (not a scalpers price).
- Luxury boxes are only deductible to the extent of the price of non-luxury tickets.
- You must substantiate the individuals present and the business purpose.
- There must be a clear business purpose in order to deduct the costs for a spouse.
- Lavish or extravagant expenses are not allowed.
- Generally, entertainment expenses are only 50% deductible.

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