

FLUENCE
9430 S.W. Coral Street, Suite 203
Portland, OR 97223

Dear Client:

For our office to properly report your expenses for meals, seminars, travel and lodging, we will need additional documentation from you.

We have established specific categories for these expenses, and it will be important for you to categorize the expenses correctly. The categories are as follows:

Account No	Account Name	Deductible
783	Meals (Client or Colleagues)	50%
785	Travel and Lodging	100%
789	Seminars	100%
722	Advertising & Business Promotion	100%
728	Staff Meetings	0% (effective 1.1.26)
788	Non-deductible Entertainment	0%
607	Employee Benefits (Firm Events)	100%
710	Office Supplies – snacks/coffee for patients	100%

Account 783 – Meals – Includes the cost of meals with associates, clients, customers and other business-related individuals. Please also remember to timely record the business purpose and relationship of the other person(s) involved, as the taxing authorities will not allow for the deduction unless it is an “ordinary and necessary” expense for the business.

As of 2018, there is no longer a deduction for any entertainment expenses (e.g., theaters, sporting events, night clubs, etc.). See “Account 607 - Employee Benefits” for further clarification.

Account 785 – Travel and Lodging – This includes the cost of transportation to and from seminars and business meetings, as well as the cost of lodging required for seminars **or** meetings. The costs associated with entertainment are no longer deductible. Please remember that travel needs to be substantially for business purposes. If it is more for personal purposes, then the taxing authorities will disallow all travel and lodging. You should record the day that you left and the day that you returned. Also record the number of days that count as business days (at least four hours of business per day).

Please be sure to break out meals from the travel expenses and code to Account 783. Remember that all “incidentals” included in business travel are deductible, such as dry cleaning, telephone, rental car, taxi, etc.

Account 789 – Seminars – Includes the cost of the seminar or meeting, if it is related to your trade or business.

The full cost of a meal that is provided with a “qualified” seminar or banquet is 100% deductible. A “qualified meeting” is a convention, seminar, annual meeting, or similar business program which at least 40 individuals attend, more than 50% of the participants are away from home, and the food and beverage expenses are part of a program (including a speaker) and are not separately stated.

Account 722 – Advertising & Business Promotion – This includes advertising, flowers, gifts, and other promotional items. Items that could be considered entertainment can only be classified in this category if you are not directly benefitting or participating in the activity (i.e., you can give a client tickets to a Blazer’s game and classify it as Business Promotion, but if you go with a client it cannot be classified as a Business Promotion or deducted in any way, because it would be considered entertainment).

Account 728 – Staff Meetings – Meals for meetings with staff in office are not deductible as of 1.1.26. In addition, snacks or beverages provided to employees are also no longer deductible. However, if you provide food or beverages for patients, this is still a deductible business expense (code to office supplies).

Account 788 – Non-deductible Entertainment – This account should include entertainment expenses that are paid by the practice but are not deductible.

Please note: Club membership dues to places like golf or health and fitness clubs are not a business tax deduction. This is considered a personal expense and should not be run through your business.

Account 607 – Employee Benefits (Firm Events) - Firm events include recreational or social activities done primarily (over 50%) for the benefit of employees. The employee benefit allows the related expenses to be deducted in full. Owners and highly compensated employees may participate, but they should not be the primary beneficiary. As an example, this would include a deduction for the “office picnic” or “holiday parties.” The costs for these events, as well as lodging, reasonable per diem, and directly related domestic travel for employees (not spouses or dependents, unless with a business purpose), can still be deducted at 100%. Keep in mind that the event should maintain the appearance of a company event with a business purpose (improving company culture and employee morale).

As an additional note, the expenses you incur for your annual staff dinner or picnic and staff holiday gifts should be categorized as Employee Benefits.

Account 710 – This includes common items such as general office supplies, coffee, bottled water, soda, chips, or similar items purchased for patients. If coffee or snacks are purchased for staff, this is 50% deductible and needs to be coded to 783 with a note it was “in-office snacks for staff”.

Included is an example log which will show you the details you need to keep in case of an audit. It would be extremely helpful for you to maintain a log like this as you write the checks. Another option is you can list this detail in the memo in Quickbooks when the expense is recorded or on the back of your credit card statements if typically paid that way. **Please remember that keeping this detail, however you track this, is critical in validating deductions in the event of an audit.**

If you have any questions, please feel free to call us.

Sincerely,

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