

January — 1962**Tax Guide for the Pro**

Stresses Advantage of Keeping T & E Expense Records

***Your chances of breaking even with Internal Revenue Service
are improved if you can justify those deductible items***

By RALPH W. BERON

With each passing year travel and entertainment expense deductions come more and more under fire of the Internal Revenue Service. At times it is quite difficult for the taxpayer to arbitrate with a revenue agent although records justifying his expenses are complete. But it is even more difficult where no records or inadequate records are kept. Therefore, the taxpayer should make every effort to maintain a day-book listing this indispensable information — date, nature of expense (travel or entertainment), names of people and places where cost was incurred, and most important of all — the business purpose served. Wherever practicable, acquire paid receipts to support day-book entries. The lack of complete records can be costly both in terms of time and money.

The home professionals can best serve his billfold and his tax adviser by spending a few minutes daily in listing the incidents of that day and their cost. In this way every possible expense can be considered at the end of the year in relation to income tax deductibility.

Generally speaking, the home professional has much the same type of expense as any other business man: tele-

phone and telegraph, postage, advertising, office supplies, depreciation on clubs, auto and office furnishings, and travel and entertainment expenses. This latter group is important and necessary to all business and, therefore, this article is devoted for the most part to T & E expenses.

Some common questions about taxes are: — What are allowable expenses? How much can be safely spent? What is deductible and who can be entertained? The general rule for an expense to be deductible is that it is ordinary or usual and necessary in a particular business.

The home pro can deduct all amounts spent in fostering goodwill at his club, (including sales of pro shop goods and lessons) if the expenses are reasonable in relation to the business purpose served. Usually, the amount spent will not be questioned as long as it was incurred for a valid business purpose and was necessary to produce some benefit for the business.

However, the fair value of the taxpayer's portion of entertainment expenses will be questioned and disallowed unless it can be proved that the amount in question would not have been spent at all except to promote business. Therefore,

if theater tickets, sport events, club shows, dinners and drinks, dues and expenses of social clubs, etc., include your wife as well as yourself and guests, the fair value of the cost of you and your wife will be disallowed unless you can show that you had a business reason whereby it was necessary that you and your wife attend and that you otherwise would not have spent the amount in question.

Tournament Expenses

Entertainment expenses while the pro is away from home playing in tournaments, etc. are also fully deductible, but in this case the portion of expenses attributable to the pro will not usually be disallowed if a business reason for the trip can be shown. The Internal Revenue Service allows its own employees 12 cents per mile automobile expenses and \$15.00 per day meals and lodging while away from home overnight. As an arbitrary figure, it allows taxpayers who are reimbursed by their employers 125 per cent of what the Service allows its own employees as auto and overnight expenses.

Therefore, if the pro turns in accounts to his home club for expenses incurred at other country clubs, or in tournament play, he would list his actual auto expenses, but not in excess of 15 cents per mile, and his actual meals and lodging, but not in excess of \$20.00 per day on overnight trips. This would keep him within the limits permitted by the IRS.

Where the pro is not reimbursed for expenses, he deducts his actual costs of auto and meals and lodging irrespective of the above-mentioned rule of thumb limitations. Note, however, that entertainment costs are fully deductible and aren't a part of the \$20 daily travel cost allowance.

Pleasure or Business?

In attending or playing in tournaments or other country clubs, if more days than necessary are spent away from home, and especially if the pro's wife accompanies him, the whole trip may be subject to complete income tax disallowance on the grounds that it was primarily a pleasure trip. But if the trip is actually for golf business reasons, and if the pro's wife also attends, he can deduct all expenses other than those incurred for her.

The golf pro should keep a list of the total days spent away from home on



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business, a total of money spent away from home for meals and lodging, and a total of incidental expenses such as tips, telephone, taxi, steno service, etc.

Use of Home "Office"

An expense often overlooked is the use of the taxpayer's home for business purposes. Some pros use space in their homes for handling all their bookwork, mailing, billing and advertising. In such case all expenses attributable to this room are deductible. The fair value of meals and drinks consumed in home entertainment are allowable deductions, but if the wives of your guests also attended such deductions are not allowable unless the taxpayer can prove the "necessary" business purpose of their attendance.

The use of your automobile for business always is subject to scrutiny and possible adjustment by the Internal Revenue Service. This is because the percentage of use of your car for business purposes can at best be estimated and thus can't be wholly proved. This usually prompts a revenue agent to question your figures and many times results in an adjustment. The average person usually does not differentiate in terms of total yearly mileage what portion is for business and what is for personal use. But where this is

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Suggests Keeping Record of T & E Expenses

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done, and if it can be justified, it goes a long way in backing up your business claim percentage.

In separating business from personal use, remember that travel from your home to your place of business and return is considered personal. The percentage that you arrive at as your business use of the auto can be applied to all other expenses connected with your auto-insurance, gasoline, oil, repairs, grease, licenses, parking, storage, depreciation, etc. to arrive at your total auto business expenses. In figuring depreciation, be sure that you deduct salvage value from the cost of your auto. This figure is an estimate of what you judge the value of your auto will be after you have used the auto for the number of years that you've based your depreciation on. Factors effecting this estimate will be the number of years the auto will be depreciated, cost of the auto when new and total miles driven.

Keep in mind that the average taxpayer leaves an examining agent a poorer man either because he has inflated his estimates

of expenses or cannot prove what may be legitimate outlays. The whole burden is on you to prove that you did spend the sums claimed, and that they were usual and necessary in your business.

This article is not intended to make a "do it yourself" taxman out of you. Its main purposes is to enable you to cooperate more intelligently with your tax adviser by calling attention to the deductions that you can legitimately take and those to which you aren't entitled.

Golfing Poll Winners

Of the 213 golf writers who took part in Golfing's annual poll to pick the winners of the USGA Open, PGA Championship and National Amateur in 1961, only two came up with the right answers in as many as two instances. Wally Wallis of the Daily Oklahoman, Oklahoma City, selected Gene Littler for the Open and Jack Nicklaus for the Amateur, while Dana Mozley of the New York Daily News picked Jerry Barber to capture the PGA and Nicklaus to take the Amateur. A total of 167 writers didn't have to look very far into their crystal balls to come up with Nicklaus, incidentally.