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# **Taxation of Common Higher Education Fringe Benefits**

## **Part I**

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# Travel, Entertainment, Gift, and Car Expenses

For use in preparing  
**2015** Returns

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## Future Developments

For the latest information about developments related to Publication 463, such as legislation enacted after it was published, go to [www.irs.gov/pub463](http://www.irs.gov/pub463).

## What's New

**Standard mileage rate.** For 2015, the standard mileage rate for the cost of operating your car for business use is 57.5 cents per mile. [Car expenses](#) and use of the [standard mileage rate](#) are explained in chapter 4.

**Depreciation limits on cars, trucks, and vans.** For 2015, the first-year limit on the total depreciation deduction for cars remains at \$11,160 (\$3,160 if you elect not to claim the special depreciation allowance). For trucks and vans, the first-year limit is \$11,460 (\$3,460 if you elect not to claim the special depreciation allowance). [Depreciation limits](#) are explained in chapter 4.

**Section 179 deduction.** For 2015, the section 179 deduction limit on qualifying property purchases (including cars, trucks, and vans) is a total of \$500,000 and the limit on those purchases at which the deduction begins to be phased out is \$2 million. [Section 179 Deduction](#) is explained in chapter 4.

**Special depreciation allowance.** For 2015, the special ("bonus") depreciation allowance on qualified property (including cars, trucks, and vans) remains at 50%. [Special Depreciation Allowance](#) is explained in chapter 4.

## Reminder

**Photographs of missing children.** The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

**Per diem rates.** Current per diem rates may be found on the U.S. General Services Administration (GSA) website at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem).

## Introduction

You may be able to deduct the ordinary and necessary business-related expenses you have for:

- Travel,

- Entertainment,
- Gifts, or
- Transportation.

An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

This publication explains:

- What expenses are deductible,
- How to report them on your return,
- What records you need to prove your expenses, and
- How to treat any expense reimbursements you may receive.

**Who should use this publication.** You should read this publication if you are an employee or a sole proprietor who has business-related travel, entertainment, gift, or transportation expenses.

**Users of employer-provided vehicles.** If an employer-provided vehicle was available for your use, you received a fringe benefit. Generally, your employer must include the value of the use or availability of the vehicle in your income. However, there are exceptions if the use of the vehicle qualifies as a working condition fringe benefit (such as the use of a qualified nonpersonal use vehicle).

A working condition fringe benefit is any property or service provided to you by your employer for which you could deduct the cost as an employee business expense if you had paid for it.

A qualified nonpersonal use vehicle is one that is not likely to be used more than minimally for personal purposes because of its design. See [Qualified nonpersonal use vehicles](#) under [Actual Car Expenses](#) in chapter 4.

For information on how to report your car expenses that your employer did not provide or reimburse you for (such as when you pay for gas and maintenance for a car your employer provides), see [Vehicle Provided by Your Employer](#) in chapter 6.

**Who does not need to use this publication.** Partnerships, corporations, trusts, and employers who reimburse their employees for business expenses should refer to their tax form instructions and chapter 11 of Publication 535, Business Expenses, for information on deducting travel, meals, and entertainment expenses.

If you are an employee, you will not need to read this publication if all of the following are true.

- You fully accounted to your employer for your work-related expenses.
- You received full reimbursement for your expenses.
- Your employer required you to return any excess reimbursement and you did so.
- There is no amount shown with a code L in box 12 of your Form W-2, Wage and Tax Statement.

If you meet all of these conditions, there is no need to show the expenses or the reimbursements on your return. If you would like more information on reimbursements and accounting to your employer, see [chapter 6](#).



*If you meet these conditions and your employer included reimbursements on your Form W-2 in error, ask your employer for a corrected Form W-2.*

**Volunteers.** If you perform services as a volunteer worker for a qualified charity, you may be able to deduct some of your costs as a charitable contribution. See [Out-of-Pocket Expenses in Giving Services](#) in Publication 526, Charitable Contributions, for information on the expenses you can deduct.

**Comments and suggestions.** We welcome your comments about this publication and your suggestions for future editions.

You can send us comments from [www.irs.gov/formspubs](http://www.irs.gov/formspubs). Click on "More Information" and then on "Give us feedback."

You can write to us at the following address:

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We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

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**Tax questions.** If you have a tax question not answered by this publication, check IRS.gov or [How To Get Tax Help](#) at the end of this publication.

## Useful Items

You may want to see:

### Publication

- 535** Business Expenses
- 946** How To Depreciate Property

### Form (and Instructions)

- Schedule A (Form 1040)** Itemized Deductions
- Schedule C (Form 1040)** Profit or Loss From Business
- Schedule C-EZ (Form 1040)** Net Profit From Business
- Schedule F (Form 1040)** Profit or Loss From Farming
- 2106** Employee Business Expenses

- **2106-EZ** Unreimbursed Employee Business Expenses
- **4562** Depreciation and Amortization

See chapter 7, [How To Get Tax Help](#), for information about getting these publications and forms.

# 1.

## Travel

If you temporarily travel away from your tax home, you can use this chapter to determine if you have deductible travel expenses.

This chapter discusses:

- Traveling away from home,
- Temporary assignment or job, and
- What travel expenses are deductible.

It also discusses the standard meal allowance, rules for travel inside and outside the United States, luxury water travel, and deductible convention expenses.

**Travel expenses defined.** For tax purposes, travel expenses are the ordinary and necessary expenses of traveling away from home for your business, profession, or job.

An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

You will find examples of deductible travel expenses in [Table 1-1](#), later.

## Traveling Away From Home

You are traveling away from home if:

- Your duties require you to be away from the general area of your tax home (defined later) substantially longer than an ordinary day's work, and
- You need to sleep or rest to meet the demands of your work while away from home.

This rest requirement is not satisfied by merely napping in your car. You do not have to be away from your tax home for a whole day or from dusk to dawn as long as your relief from duty is long enough to get necessary sleep or rest.

**Example 1.** You are a railroad conductor. You leave your home terminal on a regularly scheduled round-trip run between two cities and return home 16 hours later. During the run, you have 6 hours off at your turnaround point where you eat two meals and rent a hotel room to get necessary sleep before starting the return trip. You are considered to be away from home.

**Example 2.** You are a truck driver. You leave your terminal and return to it later the same day. You get an hour off at your turnaround point to eat. Because you are not off to get necessary sleep and the brief time off is not an adequate rest period, you are not traveling away from home.

**Members of the Armed Forces.** If you are a member of the U.S. Armed Forces on a permanent duty assignment overseas, you are not traveling away from home. You cannot deduct your expenses for meals and lodging. You cannot deduct these expenses even if you have to maintain a home in the United States for your family members who are not allowed to accompany you overseas. If you are transferred from one permanent duty station to another, you may have deductible moving expenses, which are explained in Publication 521, Moving Expenses.

A naval officer assigned to permanent duty aboard a ship that has regular eating and living facilities has a tax home (explained next) aboard the ship for travel expense purposes.

## Tax Home

To determine whether you are traveling away from home, you must first determine the location of your tax home.

Generally, your tax home is your regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located.

If you have more than one regular place of business, your tax home is your main place of business. See [Main place of business or work](#), later.

If you do not have a regular or a main place of business because of the nature of your work, then your tax home may be the place where you regularly live. See [No main place of business or work](#), later.

If you do not have a regular or main place of business or post of duty and there is no place where you regularly live, you are considered an itinerant (a transient) and your tax home is wherever you work. As an itinerant, you cannot claim a travel expense deduction because you are never considered to be traveling away from home.

**Main place of business or work.** If you have more than one place of work, consider the following when determining which one is your main place of business or work.

- The total time you ordinarily spend in each place.
- The level of your business activity in each place.
- Whether your income from each place is significant or insignificant.

**Example.** You live in Cincinnati where you have a seasonal job for 8 months each year and earn \$40,000. You work the other 4 months in Miami, also at a seasonal job, and earn \$15,000. Cincinnati is your main place of work because you spend most of your time there and earn most of your income there.

**No main place of business or work.** You may have a tax home even if you do not have a regular or main place of work. Your tax home may be the home where you regularly live.

**Factors used to determine tax home.** If you do not have a regular or main place of business or work, use the following three factors to determine where your tax home is.

1. You perform part of your business in the area of your main home and use that home for lodging while doing business in the area.
2. You have living expenses at your main home that you duplicate because your business requires you to be away from that home.
3. You have not abandoned the area in which both your historical place of lodging and your claimed main home are located; you have a member or members of your family living at your main home; or you often use that home for lodging.

If you satisfy all three factors, your tax home is the home where you regularly live. If you satisfy only two factors, you may have a tax home depending on all the facts and circumstances. If you satisfy only one factor, you are an itinerant; your tax home is wherever you work and you cannot deduct travel expenses.

**Example 1.** You are single and live in Boston in an apartment you rent. You have worked for your employer in Boston for a number of years. Your employer enrolls you in a 12-month executive training program. You do not expect to return to work in Boston after you complete your training.

During your training, you do not do any work in Boston. Instead, you receive classroom and on-the-job training throughout the United States. You keep your apartment in Boston and return to it frequently. You use your apartment to conduct your personal business. You also keep up your community contacts in Boston. When you complete your training, you are transferred to Los Angeles.

You do not satisfy factor (1) because you did not work in Boston. You satisfy factor (2) because you had duplicate living expenses. You also satisfy factor (3) because you did not abandon your apartment in Boston as your main home, you kept your community contacts, and you frequently returned to live in your apartment. Therefore, you have a tax home in Boston.

**Example 2.** You are an outside salesperson with a sales territory covering several states. Your employer's main office is in Newark, but you do not conduct any business there. Your work assignments are temporary, and you have no way of knowing where your future assignments will be located. You have a room in your married sister's house in Dayton. You stay there for one or two weekends a year, but you do no work in the area. You do not pay your sister for the use of the room.

You do not satisfy any of the three factors listed earlier. You are an itinerant and have no tax home.

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