

Deductions: Travel, Meals, Entertainment, and Gifts

Deductions for travel, meals, entertainment, and gifts can be surprisingly complex to navigate. This course breaks down the essentials: what qualifies as travel away from home, how temporary assignments affect deductibility, and which meal and entertainment expenses still pass muster under current rules. You'll also get a clear look at the 50% limit on meals and the specific rules governing business gift deductions. If you regularly work with clients who incur these types of expenses, this course will help you apply the rules with greater confidence.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

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LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify information related to transportation expenses.
- Recognize what travel expenses are deductible.
- Identify the deductibility of non-entertainment-related meals and entertainment expenses.
- Identify the restrictions on the deduction for business gifts.

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INTRODUCTION

Chapter Objective

After completing this chapter, you should be able to:

- Identify information related to transportation expenses.

The goal of this course is to teach you the ins and outs of the tax laws relating to travel, entertainment, gift, car expenses, and home office deductions that are available to you and your clients. Throughout this course, we use the term “you” which can be substituted with your client.

Note

Throughout this course material, we have included figures for both 2025 and 2026. In many cases, the applicable laws and regulations have not changed, so some examples remain as originally stated for 2025. If necessary, the figures in those examples can simply be updated to reflect 2026 amounts and recalculated as such if needed for 2026 purposes. Other examples have been updated to 2026 as necessary.

Important Information

Special depreciation allowance. P.L.119-21 (July 4, 2025), commonly known as the One Big Beautiful Bill Act (OBBBA), made several amendments to Code section 168(k) to provide taxpayers with a permanent 100% additional first-year depreciation deduction for qualified property acquired and placed in service, and specified plants planted or grafted, after January 19, 2025. Specifically, OBBBA replaced the annual phasedown of the applicable percentage for the Code section 168(k) additional first-year depreciation deduction with a permanent 100% additional first-year depreciation deduction for qualified property acquired, or specified plants planted or grafted, after January 19, 2025. Additionally, OBBBA amended Code section 168(k) to allow taxpayers to elect to deduct 40% (60% for certain property having longer production periods or certain aircraft), instead of 100%, additional first-year depreciation for qualified property placed in service, or specified plants planted or grafted, during the first-tax year ending after January 19, 2025. The amendments generally apply to property acquired, or specified plants planted or grafted, after January 19, 2025.

For 2025, the first-year special (“bonus”) depreciation allowance on qualified property (including cars, trucks, and vans) is 100% for qualified property acquired and placed in service after January 19, 2025. However, the special depreciation allowance remains 40% for qualified property placed in

service during 2025 that is acquired after September 27, 2017, and before January 20, 2025. Special depreciation allowance is explained in Chapter 1 of course 32502I.

Standard mileage rate. For 2025, the standard mileage rate for the cost of operating your car for business use was 70 cents per mile. For 2026, the standard mileage rate is 72.5 cents per mile for January 1, 2026 through June 30, 2026, then 76 cents per mile from July 1, 2026 forward. Car expenses and use of the standard mileage rate are explained in Chapter 1 of course 32502I.

Depreciation limits on cars, trucks, and vans. The depreciation limitations for passenger automobiles acquired after September 27, 2017, and placed in service during calendar year 2026, for which the Code section 168(k) additional first-year depreciation deduction applies are first tax year, \$20,300; second tax year, \$19,800; third tax year, \$11,900; and each succeeding year, \$7,160. Depreciation limits are explained in Chapter 1 of course 32502I.

The depreciation limitations for passenger automobiles placed in service during calendar year 2026 for which no Code section 168(k) additional first-year depreciation deduction applies are first tax year, \$12,300; second tax year, \$19,800; third tax year, \$11,900; and each succeeding year, \$7,160.

Section 179 deduction. In 2026, the aggregate cost of any Code section 179 property that a taxpayer elects to treat as an expense cannot exceed \$2,560,000, and the cost of any sport utility vehicle that may be taken into account under Code section 179 cannot exceed \$32,000. The \$2,560,000 limitation is reduced (but not below zero) by the amount by which the cost of Code section 179 property placed in service during the 2026 tax year exceeds \$4,090,000.

INTRODUCTION: TEST YOUR KNOWLEDGE

The following question is designed to ensure that you have a complete understanding of the information presented in the chapter (assignment). It is included as an additional tool to enhance your learning experience and does not need to be submitted in order to receive CPE credit.

We recommend that you answer the question and then compare your response to the suggested solution on the following page before answering the final exam question(s) related to this chapter (assignment).

1. For tax years beginning in 2026, the aggregate cost of any section 179 property that a taxpayer elects to treat as an expense cannot exceed:
 - A. \$32,000
 - B. \$1,000,000
 - C. \$2,560,000
 - D. \$5,000,000

Review Question Responses

1. For tax years beginning in 2026, the aggregate cost of any section 179 property that a taxpayer elects to treat as an expense cannot exceed:

A. \$32,000

Incorrect. This is the maximum cost that any sport utility vehicle may be that is taken into account under section 179.

B. \$1,000,000

Incorrect. The correct amount is \$2,560,000, not \$1,000,000.

C. \$2,560,000

CORRECT. The aggregate cost cannot exceed \$2,560,000.

D. \$5,000,000

Incorrect. \$5,000,000 exceeds the amount allowed.

Chapter 1: TRAVEL

Chapter Objective

After completing this chapter, you should be able to:

- Recognize what travel expenses are deductible.

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.

I. 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

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.

A naval officer assigned to permanent duty aboard a ship that has regular eating and living facilities has a tax home aboard 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.