



Robert W. Wood

THE TAX LAWYER

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Writing Off Justin Bieber's \$75,000 Strip Club Tab

Justin Bieber allegedly [dropped \\$75,000 in just a few hours](#) in a Miami strip club. The King of Diamonds club [told TMZ](#) that Mr. Bieber “got \$75k in 1 dollar bills and went wild.” It may sound silly, but Bieber has money to burn, and at 19, seems to be doing just that. More worrisome was the report that police searched his Los Angeles pad last week and reportedly [found a trove of drugs](#) that, luckily for Mr. Bieber, were evidently beyond the scope of their investigation.

Trying to put a business spin on all this, is it *possible* that Mr. Bieber was out entertaining his record producers or recording execs? Well, it's *possible*, which might suggest the tab could show up on Mr. Bieber's expense report or even his tax return. After all, isn't a big bar tab or restaurant bill deductible?

It depends. Even if he was entertaining business associates and discussing business, there are limits. The tax code says lavish expenses are a no-no. Taxpayers can deduct *reasonable* business expenses, but not lavish or extravagant ones.



Justin Bieber on Believe Tour in July 2012

So if this, er, entertainment was *business* entertainment, some of it might be OK, provided that it wasn't lavish or extravagant. What's lavish or extravagant? The IRS doesn't provide much guidance. An expense *isn't* lavish or extravagant if it is reasonable considering the facts and circumstances.

Expenses will not be disallowed just because they are more than a certain amount or take place at deluxe restaurants, hotels, nightclubs, or resorts. Lavish is sometimes defined as a business [expense](#) that is significantly higher than what is considered reasonable. Say a company pays triple the market rate for something. That amount may be a lavish or extravagant expense. The portion deemed lavish by the IRS is not [tax deductible](#).

Of course, the mere fact that you might conduct business entertainment at a high-end restaurants or hotels—or even strip clubs—doesn't mean it's lavish. Consider some of the [World's Most Extravagant Meals](#). Yet even if you can legitimately deduct it, that doesn't mean such spending is smart. Besides, if you are spending in the stratosphere, you might expect the IRS to claim it's personal.

Justin Timberlake & Jessica Biel reportedly spent \$6.5 million on their wedding. There's no word on whether any of that showed up on their taxes, regardless of which business connections were in attendance. Speaking of expensive meals, what about someone who spent \$3.46 *million* for lunch with Warren Buffett?

That's expensive even for eight people and even to support [Glide Memorial Church](#) in San Francisco. Nevertheless, most of that \$3.46M should be deductible, but as a charitable contribution (in excess of the meal value), not as a business expense. [Should Warren Buffett's \\$3.46M Lunch Be Tax Deductible?](#)

Want a real-life creative example of an attempt at claiming "business expenses?" Ralph Louis Vitale, Jr. took on the IRS in Tax Court claiming he was in the business of writing about prostitution. How did he begin his research? You guessed it. He paid prostitutes in cash, a kind of industry standard. Still, he kept a detailed journal of his numerous "research visits."

Vitale paid a vanity press \$4,375 to publish it. Yet after he had collected only \$2,600 in royalties, his publisher went bankrupt. The IRS said this was just a "hobby" and disallowed Vitale's deductions. The Tax Court ruled that Mr. Vitale did have a profit motive, but with no receipts, he got no deduction.

My advice to Mr. Bieber? Don't even *think* about deducting any part of this evening.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.