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# JFK Said These Very Wise Words

JFK never said, “Ich bin ein Taxpayer,” but he might have. He understood something many people in America don’t even 50 years after his death. Our tax system creates odd incentives and needs reform. That was true 50 years ago and remains so today.

JFK didn’t like expense accounts and business entertainment in the Mad Men era of the three martini lunch. And JFK did say this: “The slogan—‘It’s deductible’—should pass from our scene.” He said it in a [Special Message to Congress on Taxation](#) on April 20, 1961.

Beyond expense accounts and business entertainment, his message had far broader implications. Then, as now, “it’s deductible” can sound downright obnoxious. Spend freely and deduct it so someone else—American taxpayers—will pay the bill, it seems to exhort.

If JFK were alive today he’d probably have something to say about much of our society and politics. And the tax deductions our system allows. When the



Posthumous official presidential portrait of U.S. President John F. Kennedy, painted by Aaron Shikler (Photo credit: Wikipedia)

IRS took a beating over lavish expenses in this [report](#), it was clear that it isn't just taxpayers saying "it's deductible" so spend away.

According to the report, the IRS spent \$4.1 million on a conference in Anaheim. There were "questionable expenses," some even "lavish." Yet tax rules make lavish expenses a no-no. Taxpayers can deduct **reasonable** business expenses, **not** lavish or extravagant ones.

What's lavish or extravagant? It depends, and 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 take place at deluxe restaurants, hotels, nightclubs, or resorts.

So what's lavish? It's sometimes defined as a business expense that is significantly higher than what is considered reasonable. Again, not much help. What if a company pays triple the market rate? That may be lavish or extravagant. That makes it—at least the portion deemed lavish by the IRS—not [tax deductible](#).

And the mere fact that you conduct business entertainment at a high-end restaurant or hotel doesn't mean it's lavish. Consider the [10 most expensive restaurants in the world](#). Yet even if you **can** legitimately deduct it, that doesn't mean such spending is smart. And sometimes if you are spending in the stratosphere, you might expect the IRS to claim it's personal.

Would you spend \$3.46M for lunch with Warren Buffett? That's expensive even if it was to support San Francisco's [Glide Memorial Church](#). It was for charity and included Buffett, the donor, and up to six guests. So maybe the lunch is worth \$1,000?

Oddly enough, Buffett's presence—or any celebrity's—isn't treated as having any value. Although Buffett's investment advice might be priceless, this lunch excludes investment discussions. Yet as a practical matter, the lunch might have a **huge** value for the donor. Want proof?

The donor who bought lunch with Buffett in 2011 now helps manage Berkshire Hathaway's Investment Portfolio. See [What Return Does Lunch With Warren Buffett Yield?](#) Most of that \$3.46M should be deductible, but as a charitable contribution (in excess of the meal value), not as a business expense. See [Should Warren Buffett's \\$3.46M Lunch Be Tax Deductible?](#)

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