



## Robert W. Wood

THE TAX LAWYER

TAXES 6/11/2015

### Rich \$2.35M Tax Write-Off For Lunch With Warren Buffett

'Don't worry, it's tax deductible' can sound downright obnoxious. Spend freely, it suggests, since someone else—American taxpayers—will foot part of the bill. If your combined state and federal tax rate is 50%, that costly item is actually half price, which isn't bad. Expensive lawyers' fees? No problem, write them off.

Not everything is deductible of course—so forget deducting the clothes on your back, that expensive law degree, etc. But if you start thinking about taxes a lot and you're in business, you might be surprised how many things Uncle Sam can help you cover. Even if you don't have receipts, you might be surprised to learn a [rule the IRS keeps quiet: they're optional](#).



Berkshire Hathaway Chairman and CEO Warren Buffett speaks during an interview with Liz Claman on the Fox Business Network in Omaha, Neb., Monday, May 4, 2015. (AP Photo/Nati Harnik)

In fact, way back in 1961, JFK once said to Congress, “The slogan—‘It’s deductible’—should pass from our scene.” How about deducting a cool \$2.35 million just for lunch with lunch with [Warren Buffett](#)?

This year, the [expensive lunch date went to Zhu Ye](#), chairman of a Chinese online gaming company called Da Lian Zeus Entertainment. The pricey auction was done online via eBay Giving Works. As winning bidder, Zhu Ye and up to seven guests get lunch with the [Berkshire Hathaway Oracle](#) at Smith & Wollensky in New York City.

The value of a steak lunch for seven people is probably a few hundred dollars, but talking turkey with [Warren Buffett](#) could be invaluable. Every year, [Glide Memorial Church](#) in San Francisco gets a whopping donation, and it is for a good cause. Charities like Glide must send the donor a letter saying how much is tax-deductible. That will depend on the value of the meal, but that probably isn’t much.

The rules for charity auctions and other events follow this pattern. If you pay \$250 for something worth only \$100, you have a \$150 deduction. No matter how fancy a restaurant, if the Buffett lunch costs \$1,000, most of the \$2.35 million should be deductible.

Oddly enough, Buffett’s presence—or any celebrity’s—isn’t treated as having a 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? Back in 2011, the donor who bought lunch with Buffett now helps manage Berkshire Hathaway’s Investment Portfolio, [suggesting that lunch with Warren Buffett can pay dividends!](#) Generally, the tax law says you can deduct reasonable business expenses, but not lavish or extravagant ones.

So how can this be deductible? It turns out that the charity context is different. Tax lawyers may view the world myopically, but taxes play an integral part in most business decisions. After all, a payment deductible against current income is more desirable than one devoid of tax benefits. Glide has said that its charity lunch auction has raised almost \$18 million since 2000. In 2012, the top bid was a record \$3.5 million, and that one was anonymous.

*For alerts to future tax articles, follow me on Forbes. You can reach me at [Wood@WoodLLP.com](mailto: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.*