

# Industry Pro Interview: What Is Uncle Sam Really Entitled To?

By Karon Thackston

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Eva Rosenberg (a.k.a. Tax Mama) started out just like you and I did... small! She took her BA in Accounting and MBA in International Business and put it to work with her own online company. TaxMama.com is the result of Eva's inspiration and dream. She now answers our questions about marketing expenses and what Uncle Sam is really entitled to!

KARON: Hi Eva, thanks for taking the time to share your insights with us.

EVA: You're very welcome, Karon.

KARON: I'm aware that certain marketing expenses are deductible... like advertising, client entertainment, expenses for setting up a press conference, etc. What expenses from our marketing budgets could we deduct that we might be leaving off?

EVA: My philosophy is - if you're in business, just about everything you spend money on is deductible. It's just a matter of documenting its business purpose. So a lot depends on two things:

Your creativity  
Your paper trail

KARON: What are the most overlooked expenses?

EVA: Cash expenses. Hardly anyone, unless pushed, keeps track of valet parking, parking meters, pay phones, gasoline, tips, newspapers or magazines, coffee or snacks with clients.

KARON: Hmm... sounds like I need to get my note pad and pen out! Is there a guideline for marketing expenses, though? Can you give a quick definition of what qualifies as a deductible marketing expense?

EVA: Anything you spend money on designed to generate revenue. If you can PROVE that your expense had a profit motive, I can justify just about anything.

KARON: So, really it's not so much the expense itself, but the USE for the expense?

EVA: Right!

KARON: I see. Now has any of this changed for 2001? Are there any additional deductions we can take? Has the IRS eliminated any deductions?

EVA: The laws haven't changed significantly with respect to marketing. You already know that several years ago, IRS removed certain dues as marketing (business) deductions - things like country clubs, health clubs, etc.

KARON: Right.

EVA: But here are some general things you can and cannot deduct.

Things you CANNOT deduct:

Your wedding, bar mitzvah, confirmation, etc. IRS knows you would have thrown that party anyway.

Gifts - They are still limited to \$25 per PERSON, per YEAR. (Couples in business together count as one person).

Business suits and outfits. And cleaning them. I know, they can be expensive. And they are required by your company/industry, etc. Unless it's a formally designated uniform... and everyone in your position must wear it... forget it.

Things you CAN deduct:

Travel - plan your trip properly, and you can turn just about any trip into a marketing, prospecting or research trip, legitimately.

(I was able to get a trip to the Orient and Hawaii accepted in an audit. My client was a set decorator and had detailed photos of artifacts, artwork, buildings, clothing, styles, settings, etc. She was doing research, expecting to land a job on an upcoming film. With her photos we could prove her business intent for this \$8,000 trip even though she 'played' while she was there, too.)

Bidding on jobs/projects - Quite often, you have some serious upfront costs when you make proposals. There might be some printing, some development, lots of entertainment, even gifts. And you don't always land that client. Hardly anyone has a 100% close rate.

Gifts - Since gifts are barely deductible, you have three alternatives:

1) To the \$25, you can add the cost of wrapping, shipping, and engraving. So, when you do your bookkeeping, record the gift at \$25.00, then engraving as a printing cost, wrapping as an office expense, sales taxes are taxes, and shipping/delivery is shipping. This can triple your gift expense deduction.

2) 'De minimis' gifts - these are the promotional items that you create with your company's logo. If you pick out really good things (gold Cross pens, briefcases, silk golf shirts, etc.) slap your logo on them you have transformed a gift into 'advertising' or 'promotion.'

4) Supplies for trade shows, photo shoots or research. Sometimes you have to get some pretty unusual things for your ads or booths.

KARON: OK, let's jump to a different area of tracking. Do you normally include the expense on your spreadsheet for the month you actually spend the money, or the month the expense was paid? For example... if I bought ezine advertising in October using my credit card, but the statement didn't come in until November... would I include the expense in my Oct or Nov spreadsheet?

EVA: Good question. First of all, most people are 'cash basis' taxpayers. That means you only deduct expenses when you PAY them. Some businesses are on 'accrual.' Which means that they can deduct expenses when they occur even if they are not paid until 90 days later. The two exceptions to this rule are credit cards and taxes.

As a result, this is a big mistake among people using credit cards. You CAN include all credit card expenses when you made the purchase. You see a credit card charge is considered a loan.

KARON: Eva, you've given us some excellent information here. I thank you so very much for you time. You have some other information available for us, don't you?

EVA: Yes! I publish a free weekly newsletter that your subscribers can get at <http://www.taxmama.com> . At that same site, they can get the latest IRS news as well as access to some free workshops, arranging to have me speak at their event and some incredible resources.

KARON: Eva, thanks again! Eva Rosenberg, your TaxMama, has taken the most dreaded topic, taxes, and turned it into fun. Aside from saving people amazing sums of money on their taxes, she also gives you a warm, fuzzy feeling! Imagine what she can do for your business.

Most buying decisions are emotional. Your ad copy should be, too! Karon is Owner and President of KT & Associates who offers targeted copywriting, copy editing & ezine article services. Subscribe to KT & Associates' Ezine "Business Essentials" at [join-businessessentials@lyris1.listenvoy.com](mailto:join-businessessentials@lyris1.listenvoy.com) or visit her site at <http://www.ktmarketing.com>

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