

**AUDIT PROTECTION—PROOF!**

Element to be proved (1)	Expense			
	Travel (2)	Entertainment (3)	Gift (4)	Transportation (Car) (5)
Amount	Amount of each separate expense for travel, lodging and meals. Incidental expenses may be totaled in reasonable categories, such as taxis, daily meals for traveler, etc.	Amount of each separate expense. Incidental expenses such as taxis, telephones, etc., may be totaled on a daily basis.	Cost of gift.	1) Amount of each separate expense including cost of the car, 2) Mileage for each business use of the car, and 3) Total miles for the tax year.
Time	Date you left and returned for each trip, and number of days for business.	Date of entertainment. For meals or entertainment directly before or after a business discussion, the date and duration of the business discussion.	Date of gift.	Date of the expense or use.
Place	Name of city or other designation.	Name and address or location of place of entertainment. Type of entertainment if not otherwise apparent. Place where business discussion was held if entertainment is directly before or after a business discussion.	Not applicable.	Name of city or other designation if applicable.
Description	Not applicable.	Not applicable.	Description of gift.	Not applicable.
Business Purpose	Business reason for travel or the business benefit gained or expected to be gained.	Business reason or the business benefit gained or expected to be gained. Nature of business discussion or activity.	Business reason for giving the gift or the business benefit gained or expected to be gained.	Business reason for the expense or use of the car.
Business Relationship	Not applicable.	Occupations or other information—such as names or other designations—about persons entertained that shows their business relationship to you. If all people entertained did not take part in business discussion, identify those who did. You must also prove that you or your employee was present if entertainment was a business meal.	Occupation or other information—such as name or other designation—about recipient that shows his or her business relationship to you.	Not applicable.

**Timely recordkeeping.** You do not need to write down the elements of every expense at the time of the expense. However, a record of the elements of an expense or of a business use made at or near the time of the expense or use, supported by sufficient documentary evidence, has more value than a statement prepared later when generally there is a lack of accurate recall. A log maintained on a weekly basis, which accounts for use during the week, is considered a record made at or near the time of the expense or use.

**Adequate records.** You should keep the proof you need for these items in an account book, diary, statement of expense, or similar record, and keep adequate documentary evidence (such as receipts, cancelled checks, or bills), that together will support each element of an expense.

**Separating expenses.** Each separate payment usually is considered a separate expense. If you entertain a customer or client at dinner and then go to the theater, the dinner expense and the cost of the theater tickets are two separate expenses. You must record them separately in your records.

**Totaling items.** You may make one daily entry for reasonable categories such as taxi fares, telephone calls, gas and oil, or other incidental travel costs. Meals should be in a separate category. You should include tips with the costs of the services you received.

Expenses of a similar nature occurring during the course of a single event are considered a single expense. For example, if during entertainment at a cocktail lounge, you pay separately for each serving of refreshments, the total expense for refreshments is treated as a single expense.

**Documentary evidence.** You generally must have documentary evidence, such as receipts, cancelled checks, or bills, to support your expenses. However, this evidence is *not* needed if:

- 1) You have meal or lodging expenses for travel away from home and you use a per diem allowance method for claiming these expenses,
- 2) You use the standard mileage rate to claim business car expenses,
- 3) Your expense, other than lodging, is less than \$25 (less than \$75 for expenses incurred after September 30, 1995), *or*

4) You have a transportation expense for which a receipt is not readily available.

**Adequate evidence.** Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense.

For example, a hotel receipt is enough to support expenses for business travel if it has:

- 1) The name and location of the hotel,
- 2) The dates you stayed there, and
- 3) Separate amounts for charges such as lodging, meals and telephone calls.

A restaurant receipt is enough to prove an expense for a business meal if it has:

- 1) The name and location of the restaurant,
- 2) The number of people served, and
- 3) The date and amount of the expense.

If a charge is made for items other than food and beverages, the receipt must show that this is the case.

**Cancelled check.** A cancelled check, together with a bill from the payee, ordinarily establishes the cost. However, a cancelled check by itself does not prove a business expense without other evidence to show that it was for a business purpose.