

The Accountants Group, Inc.

Summary of Record Keeping Requirements

The records you should keep to justify your home office are:

- A date stamped photo showing the "office" or work area that you use exclusively for business. This can be a desk, it does not have to be a separate room. The term "exclusive" has been interpreted by the IRS and courts as 100% business.
- The square feet of the office and the square feet of the residence.
- A daily log that shows the amount of time spent in the home office and what you did. To qualify for the deduction the office has to be used "regularly" for business. "Regularly" is not defined but seems to indicate several days per week. Please note, if you are deducting mileage from your home office to your other business locations you need to visit your home office before and after the business travel. The kinds of things that should qualify for business use of your home office are: telephone calls; bookkeeping; planning; scheduling; research; billing; etc.
- To compute the deduction we will need to know how much you spent for: utilities, homeowners insurance, real estate taxes, mortgage interest, general house maintenance, office maintenance, homeowners association dues, when you purchased the house, how much you paid for it and the cost of any improvements to the office area.

The records for Auto Use are:

- A daily log that shows the date, where you went, the business purpose of the trip, and the miles driven. This record should be maintained on a contemporaneous basis (generally written within a week of the trip). If your travel is fairly consistent throughout the year you can maintain a log for three months of each year. The three months must be "average" months. You need a mileage log whether you take the standard mileage deduction or itemize your car expense.
- A recap of your automobile expenses. Gas, repairs, insurance, oil changes, car washes, lease payments, license plates, city sticker, date of purchase (or lease) and cost of the vehicle or a note that you would prefer to use the standard mileage rate. We will determine if the standard rate is more beneficial if you provide all the vehicle cost data.
- In addition to the above automobile expenses you can deduct interest, tolls and parking so we will need these numbers whether you use the standard mile rate or actual expense.

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Records and Documentation for Meals & Entertaining Expenses (including travel meals):

- Written record showing the name of the restaurant or event, date of the event, amount spent, and business purpose
- For business meals & entertaining, you also need the name of the person entertained and a brief description of the business discussion.
- You are required to have a receipt for amounts over \$75.00 however, we recommend you obtain a receipt for all meals and entertaining.
- Should the entertaining occur at a nightclub, concert, sporting event or golf course you need to have a substantial business meeting immediately prior to or following the entertaining event. IRS does not feel that you can have a business discussion playing golf or attending a concert or sporting event.
- Goodwill entertaining is not deductible. You cannot take someone out as a "Thank You" for their business, there must be a discussion regarding referrals or some aspect of their business.
- Giving someone tickets to a concert or sporting event is not an entertaining expense, it is a gift and the deduction is subject to a \$25.00 per recipient per year limitation.

Please note, this is a summary of many pages of laws, rules & regulations published by the IRS and it is not a complete dissertation of all of the information you may be required to know. Please refer to the IRS website which contains many publications relating to the required record keeping rules and offers guidance to proper deductions for automobiles and other listed property, entertaining and meal expenses,

IRS Regulations, as outlined in Circular 230, define specific requirements that we must adhere to in order to provide advice that is to be considered federal tax advice for the purposes of avoiding penalties that the IRS might seek to impose. This correspondence (and any attachments, enclosures or other accompanying materials), is specifically intended to not qualify as federal tax advice and it should not be relied on to avoid IRS penalties. Specific guidance regarding our providing federal tax advice is explained in our engagement letter

[Business Engagement Letter](#)

[Personal Engagement Letter 2007](#)

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[Vehicle Information Summary](#)

[Directions to Buffalo Grove](#)