

## §274. Disallowance of certain entertainment, etc., expenses

### (a) Entertainment, amusement, recreation, or qualified transportation fringes

#### (1) In general

No deduction otherwise allowable under this chapter shall be allowed for any item-

##### (A) Activity

With respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, or

##### (B) Facility

With respect to a facility used in connection with an activity referred to in subparagraph (A).

#### (2) Special rules

For purposes of applying paragraph (1)-

(A) Dues or fees to any social, athletic, or sporting club or organization shall be treated as items with respect to facilities.

(B) An activity described in section 212 shall be treated as a trade or business.

#### (3) Denial of deduction for club dues

Notwithstanding the preceding provisions of this subsection, no deduction shall be allowed under this chapter for amounts paid or incurred for membership in any club organized for business, pleasure, recreation, or other social purpose.

#### (4) Qualified transportation fringes

No deduction shall be allowed under this chapter for the expense of any qualified transportation fringe (as defined in section 132(f)) provided to an employee of the taxpayer.

### (b) Gifts

#### (1) Limitation

No deduction shall be allowed under section 162 or section 212 for any expense for gifts made directly or indirectly to any individual to the extent that such expense, when added to prior expenses of the taxpayer for gifts made to such individual during the same taxable year, exceeds \$25. For purposes of this section, the term "gift" means any item excludable from gross income of the recipient under section 102 which is not excludable from his gross income under any other provision of this chapter, but such term does not include-

(A) an item having a cost to the taxpayer not in excess of \$4.00 on which the name of the taxpayer is clearly and permanently imprinted and which is one of a number of identical items distributed generally by the taxpayer, or

(B) a sign, display rack, or other promotional material to be used on the business premises of the recipient.

#### (2) Special rules

(A) In the case of a gift by a partnership, the limitation contained in paragraph (1) shall apply to the partnership as well as to each member thereof.

(B) For purposes of paragraph (1), a husband and wife shall be treated as one taxpayer.

### (c) Certain foreign travel

#### (1) In general

In the case of any individual who travels outside the United States away from home in pursuit of a trade or business or in pursuit of an activity described in section 212, no deduction shall be allowed under section 162 or section 212 for that portion of the expenses of such travel otherwise allowable under such section which, under regulations prescribed by the Secretary, is not allocable to such trade or business or to such activity.

#### (2) Exception

Paragraph (1) shall not apply to the expenses of any travel outside the United States away from home if-

(A) such travel does not exceed one week, or

(B) the portion of the time of travel outside the United States away from home which is not attributable to the pursuit of the taxpayer's trade or business or an activity described in section 212 is less than 25 percent of the total time on such travel.

#### (3) Domestic travel excluded

For purposes of this subsection, travel outside the United States does not include any travel from one point in the United States to another point in the United States.

**(d) Substantiation required**

No deduction or credit shall be allowed-

- (1) under section 162 or 212 for any traveling expense (including meals and lodging while away from home),
- (2) for any expense for gifts, or
- (3) with respect to any listed property (as defined in section 280F(d)(4)),

unless the taxpayer substantiates by adequate records or by sufficient evidence corroborating the taxpayer's own statement (A) the amount of such expense or other item, (B) the time and place of the travel or the date and description of the gift, (C) the business purpose of the expense or other item, and (D) the business relationship to the taxpayer of the person receiving the benefit. The Secretary may by regulations provide that some or all of the requirements of the preceding sentence shall not apply in the case of an expense which does not exceed an amount prescribed pursuant to such regulations. This subsection shall not apply to any qualified nonpersonal use vehicle (as defined in subsection (i)).

**(e) Specific exceptions to application of subsection (a)**

Subsection (a) shall not apply to-

**(1) Food and beverages for employees**

Expenses for food and beverages (and facilities used in connection therewith) furnished on the business premises of the taxpayer primarily for his employees.

**(2) Expenses treated as compensation**

**(A) In general**

Except as provided in subparagraph (B), expenses for goods, services, and facilities, to the extent that the expenses are treated by the taxpayer, with respect to the recipient of the entertainment, amusement, or recreation, as compensation to an employee on the taxpayer's return of tax under this chapter and as wages to such employee for purposes of [chapter 24](#) (relating to withholding of income tax at source on wages).

**(B) Specified individuals**

**(i) In general**

In the case of a recipient who is a specified individual, subparagraph (A) and paragraph (9) shall each be applied by substituting "to the extent that the expenses do not exceed the amount of the expenses which" for "to the extent that the expenses".

**(ii) Specified individual**

For purposes of clause (i), the term "specified individual" means any individual who-

- (I) is subject to the requirements of section 16(a) of the Securities Exchange Act of 1934 with respect to the taxpayer or a related party to the taxpayer, or
- (II) would be subject to such requirements if the taxpayer (or such related party) were an issuer of equity securities referred to in such section.

For purposes of this clause, a person is a related party with respect to another person if such person bears a relationship to such other person described in section 267(b) or 707(b).

**(3) Reimbursed expenses**

Expenses paid or incurred by the taxpayer, in connection with the performance by him of services for another person (whether or not such other person is his employer), under a reimbursement or other expense allowance arrangement with such other person, but this paragraph shall apply-

- (A) where the services are performed for an employer, only if the employer has not treated such expenses in the manner provided in paragraph (2), or
- (B) where the services are performed for a person other than an employer, only if the taxpayer accounts (to the extent provided by subsection (d)) to such person.

**(4) Recreational, etc., expenses for employees**

Expenses for recreational, social, or similar activities (including facilities therefor) primarily for the benefit of employees (other than employees who are highly compensated employees (within the meaning of section 414(q))). For purposes of this paragraph, an individual owning less than a 10-percent interest in the taxpayer's trade or business shall not be considered a shareholder or other owner, and for such purposes an individual shall be treated as owning any interest owned by a member of his family (within the meaning of section 267(c)(4)). This paragraph shall not apply for purposes of subsection (a)(3).

**(5) Employees, stockholder, etc., business meetings**

Expenses incurred by a taxpayer which are directly related to business meetings of his employees, stockholders, agents, or directors.

**(6) Meetings of business leagues, etc.**

Expenses directly related and necessary to attendance at a business meeting or convention of any organization described in section 501(c)(6) (relating to business leagues, chambers of commerce, real estate boards, and boards of trade) and exempt from taxation under section 501(a).

**(7) Items available to public**

Expenses for goods, services, and facilities made available by the taxpayer to the general public.

**(8) Entertainment sold to customers**

Expenses for goods or services (including the use of facilities) which are sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth.

**(9) Expenses includible in income of persons who are not employees**

Expenses paid or incurred by the taxpayer for goods, services, and facilities to the extent that the expenses are includible in the gross income of a recipient of the entertainment, amusement, or recreation who is not an employee of the taxpayer as compensation for services rendered or as a prize or award under section 74. The preceding sentence shall not apply to any amount paid or incurred by the taxpayer if such amount is required to be included (or would be so required except that the amount is less than \$600) in any information return filed by such taxpayer under part III of subchapter A of [chapter 61](#) and is not so included.

For purposes of this subsection, any item referred to in subsection (a) shall be treated as an expense.

**(f) Interest, taxes, casualty losses, etc.**

This section shall not apply to any deduction allowable to the taxpayer without regard to its connection with his trade or business (or with his income-producing activity). In the case of a taxpayer which is not an individual, the preceding sentence shall be applied as if it were an individual.

**(g) Treatment of entertainment, etc., type facility**

For purposes of this chapter, if deductions are disallowed under subsection (a) with respect to any portion of a facility, such portion shall be treated as an asset which is used for personal, living, and family purposes (and not as an asset used in the trade or business).

**(h) Attendance at conventions, etc.****(1) In general**

In the case of any individual who attends a convention, seminar, or similar meeting which is held outside the North American area, no deduction shall be allowed under section 162 for expenses allocable to such meeting unless the taxpayer establishes that the meeting is directly related to the active conduct of his trade or business and that, after taking into account in the manner provided by regulations prescribed by the Secretary-

- (A) the purpose of such meeting and the activities taking place at such meeting,
- (B) the purposes and activities of the sponsoring organizations or groups,
- (C) the residences of the active members of the sponsoring organization and the places at which other meetings of the sponsoring organization or groups have been held or will be held, and
- (D) such other relevant factors as the taxpayer may present,

it is as reasonable for the meeting to be held outside the North American area as within the North American area.

**(2) Conventions on cruise ships**

In the case of any individual who attends a convention, seminar, or other meeting which is held on any cruise ship, no deduction shall be allowed under section 162 for expenses allocable to such meeting, unless the taxpayer meets the requirements of paragraph (5) and establishes that the meeting is directly related to the active conduct of his trade or business and that-

- (A) the cruise ship is a vessel registered in the United States; and
- (B) all ports of call of such cruise ship are located in the United States or in possessions of the United States.

With respect to cruises beginning in any calendar year, not more than \$2,000 of the expenses attributable to an individual attending one or more meetings may be taken into account under section 162 by reason of the preceding sentence.

**(3) Definitions**

For purposes of this subsection-

**(A) North American area**

The term "North American area" means the United States, its possessions, and the Trust Territory of the Pacific Islands, and Canada and Mexico.

**(B) Cruise ship**

The term "cruise ship" means any vessel sailing within or without the territorial waters of the United States.

**(4) Subsection to apply to employer as well as to traveler**

(A) Except as provided in subparagraph (B), this subsection shall apply to deductions otherwise allowable under section 162 to any person, whether or not such person is the individual attending the convention, seminar, or similar meeting.

(B) This subsection shall not deny a deduction to any person other than the individual attending the convention, seminar, or similar meeting with respect to any amount paid by such person to or on behalf of such individual if includible in the gross income of such individual. The preceding sentence shall not apply if the amount is required to be included in any information return filed by such person under part III of subchapter A of [chapter 61](#) and is not so included.

**(5) Reporting requirements**

No deduction shall be allowed under section 162 for expenses allocable to attendance at a convention, seminar, or similar meeting on any cruise ship unless the taxpayer claiming the deduction attaches to the return of tax on which the deduction is claimed-

(A) a written statement signed by the individual attending the meeting which includes-

(i) information with respect to the total days of the trip, excluding the days of transportation to and from the cruise ship port, and the number of hours of each day of the trip which such individual devoted to scheduled business activities,

(ii) a program of the scheduled business activities of the meeting, and

(iii) such other information as may be required in regulations prescribed by the Secretary; and

(B) a written statement signed by an officer of the organization or group sponsoring the meeting which includes-

(i) a schedule of the business activities of each day of the meeting,

(ii) the number of hours which the individual attending the meeting attended such scheduled business activities, and

(iii) such other information as may be required in regulations prescribed by the Secretary.

**(6) Treatment of conventions in certain Caribbean countries****(A) In general**

For purposes of this subsection, the term "North American area" includes, with respect to any convention, seminar, or similar meeting, any beneficiary country if (as of the time such meeting begins)-

(i) there is in effect a bilateral or multilateral agreement described in subparagraph (C) between such country and the United States providing for the exchange of information between the United States and such country, and

(ii) there is not in effect a finding by the Secretary that the tax laws of such country discriminate against conventions held in the United States.

**(B) Beneficiary country**

For purposes of this paragraph, the term "beneficiary country" has the meaning given to such term by section 212(a)(1)(A) of the Caribbean Basin Economic Recovery Act; except that such term shall include Bermuda.

**(C) Authority to conclude exchange of information agreements****(i) In general**

The Secretary is authorized to negotiate and conclude an agreement for the exchange of information with any beneficiary country. Except as provided in clause (ii), an exchange of information agreement shall provide for the exchange of such information (not limited to information concerning nationals or residents of the United States or the beneficiary country) as may be necessary or appropriate to carry out and enforce the tax laws of the United States and the beneficiary country (whether criminal or civil proceedings), including information which may otherwise be subject to nondisclosure provisions of the local law of the beneficiary country such as provisions respecting bank secrecy and bearer shares. The exchange of

information agreement shall be terminable by either country on reasonable notice and shall provide that information received by either country will be disclosed only to persons or authorities (including courts and administrative bodies) involved in the administration or oversight of, or in the determination of appeals in respect of, taxes of the United States or the beneficiary country and will be used by such persons or authorities only for such purposes.

**(ii) Nondisclosure of qualified confidential information sought for civil tax purposes**

An exchange of information agreement need not provide for the exchange of qualified confidential information which is sought only for civil tax purposes if-

(I) the Secretary of the Treasury, after making all reasonable efforts to negotiate an agreement which includes the exchange of such information, determines that such an agreement cannot be negotiated but that the agreement which was negotiated will significantly assist in the administration and enforcement of the tax laws of the United States, and

(II) the President determines that the agreement as negotiated is in the national security interest of the United States.

**(iii) Qualified confidential information defined**

For purposes of this subparagraph, the term "qualified confidential information" means information which is subject to the nondisclosure provisions of any local law of the beneficiary country regarding bank secrecy or ownership of bearer shares.

**(iv) Civil tax purposes**

For purposes of this subparagraph, the determination of whether information is sought only for civil tax purposes shall be made by the requesting party.

**(D) Coordination with other provisions**

Any exchange of information agreement negotiated under subparagraph (C) shall be treated as an income tax convention for purposes of section 6103(k)(4). The Secretary may exercise his authority under subchapter A of [chapter 78](#) to carry out any obligation of the United States under an agreement referred to in subparagraph (C).

**(E) Determinations published in the Federal Register**

The following shall be published in the Federal Register-

(i) any determination by the President under subparagraph (C)(ii) (including the reasons for such determination),

(ii) any determination by the Secretary under subparagraph (C)(ii) (including the reasons for such determination), and

(iii) any finding by the Secretary under subparagraph (A)(ii) (and any termination thereof).

**(7) Seminars, etc. for section 212 purposes**

No deduction shall be allowed under section 212 for expenses allocable to a convention, seminar, or similar meeting.

**(i) Qualified nonpersonal use vehicle**

For purposes of subsection (d), the term "qualified nonpersonal use vehicle" means any vehicle which, by reason of its nature, is not likely to be used more than a de minimis amount for personal purposes.

**(j) Employee achievement awards**

**(1) General rule**

No deduction shall be allowed under section 162 or section 212 for the cost of an employee achievement award except to the extent that such cost does not exceed the deduction limitations of paragraph (2).

**(2) Deduction limitations**

The deduction for the cost of an employee achievement award made by an employer to an employee-

(A) which is not a qualified plan award, when added to the cost to the employer for all other employee achievement awards made to such employee during the taxable year which are not qualified plan awards, shall not exceed \$400, and

(B) which is a qualified plan award, when added to the cost to the employer for all other employee achievement awards made to such employee during the taxable year (including employee achievement awards which are not qualified plan awards), shall not exceed \$1,600.

**(3) Definitions**

For purposes of this subsection-

**(A) Employee achievement award**

**(i) In general**

The term "employee achievement award" means an item of tangible personal property which is-

- (I) transferred by an employer to an employee for length of service achievement or safety achievement,
- (II) awarded as part of a meaningful presentation, and
- (III) awarded under conditions and circumstances that do not create a significant likelihood of the payment of disguised compensation.

**(ii) Tangible personal property**

For purposes of clause (i), the term "tangible personal property" shall not include-

- (I) cash, cash equivalents, gift cards, gift coupons, or gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items pre-selected or pre-approved by the employer), or
- (II) vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.

**(B) Qualified plan award****(i) In general**

The term "qualified plan award" means an employee achievement award awarded as part of an established written plan or program of the taxpayer which does not discriminate in favor of highly compensated employees (within the meaning of section 414(q)) as to eligibility or benefits.

**(ii) Limitation**

An employee achievement award shall not be treated as a qualified plan award for any taxable year if the average cost of all employee achievement awards which are provided by the employer during the year, and which would be qualified plan awards but for this subparagraph, exceeds \$400. For purposes of the preceding sentence, average cost shall be determined by including the entire cost of qualified plan awards, without taking into account employee achievement awards of nominal value.

**(4) Special rules**

For purposes of this subsection-

**(A) Partnerships**

In the case of an employee achievement award made by a partnership, the deduction limitations contained in paragraph (2) shall apply to the partnership as well as to each member thereof.

**(B) Length of service awards**

An item shall not be treated as having been provided for length of service achievement if the item is received during the recipient's 1st 5 years of employment or if the recipient received a length of service achievement award (other than an award excludable under section 132(e)(1)) during that year or any of the prior 4 years.

**(C) Safety achievement awards**

An item provided by an employer to an employee shall not be treated as having been provided for safety achievement if-

- (i) during the taxable year, employee achievement awards (other than awards excludable under section 132(e)(1)) for safety achievement have previously been awarded by the employer to more than 10 percent of the employees of the employer (excluding employees described in clause (ii)), or
- (ii) such item is awarded to a manager, administrator, clerical employee, or other professional employee.

**(k) Business meals****(1) In general**

No deduction shall be allowed under this chapter for the expense of any food or beverages unless-

- (A) such expense is not lavish or extravagant under the circumstances, and
- (B) the taxpayer (or an employee of the taxpayer) is present at the furnishing of such food or beverages.

**(2) Exceptions**

Paragraph (1) shall not apply to-

- (A) any expense described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e), and
- (B) any other expense to the extent provided in regulations.

**(l) Transportation and commuting benefits****(1) In general**

No deduction shall be allowed under this chapter for any expense incurred for providing any transportation, or any payment or reimbursement, to an employee of the taxpayer in connection with travel between the employee's residence and place of employment, except as necessary for ensuring the safety of the employee.

**(2) Exception**

In the case of any qualified bicycle commuting reimbursement (as described in section 132(f)(5)(F)), this subsection shall not apply for any amounts paid or incurred after December 31, 2017, and before January 1, 2026.

**(m) Additional limitations on travel expenses**

**(1) Luxury water transportation**

**(A) In general**

No deduction shall be allowed under this chapter for expenses incurred for transportation by water to the extent such expenses exceed twice the aggregate per diem amounts for days of such transportation. For purposes of the preceding sentence, the term "per diem amounts" means the highest amount generally allowable with respect to a day to employees of the executive branch of the Federal Government for per diem while away from home but serving in the United States.

**(B) Exceptions**

Subparagraph (A) shall not apply to-

- (i) any expense allocable to a convention, seminar, or other meeting which is held on any cruise ship, and
- (ii) any expense described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e).

**(2) Travel as form of education**

No deduction shall be allowed under this chapter for expenses for travel as a form of education.

**(3) Travel expenses of spouse, dependent, or others**

No deduction shall be allowed under this chapter (other than section 217) for travel expenses paid or incurred with respect to a spouse, dependent, or other individual accompanying the taxpayer (or an officer or employee of the taxpayer) on business travel, unless-

- (A) the spouse, dependent, or other individual is an employee of the taxpayer,
- (B) the travel of the spouse, dependent, or other individual is for a bona fide business purpose, and
- (C) such expenses would otherwise be deductible by the spouse, dependent, or other individual.

**(n) Only 50 percent of meal expenses allowed as deduction**

**(1) In general**

The amount allowable as a deduction under this chapter for any expense for food or beverages shall not exceed 50 percent of the amount of such expense which would (but for this paragraph) be allowable as a deduction under this chapter.

**(2) Exceptions**

Paragraph (1) shall not apply to any expense if-

- (A) such expense is described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e),
- (B) in the case of an employer who pays or reimburses moving expenses of an employee, such expenses are includible in the income of the employee under section 82,
- (C) such expense is for food or beverages-
  - (i) required by any Federal law to be provided to crew members of a commercial vessel,
  - (ii) provided to crew members of a commercial vessel-
    - (I) which is operating on the Great Lakes, the Saint Lawrence Seaway, or any inland waterway of the United States, and
    - (II) which is of a kind which would be required by Federal law to provide food and beverages to crew members if it were operated at sea,
  - (iii) provided on an oil or gas platform or drilling rig if the platform or rig is located offshore, or
  - (iv) provided on an oil or gas platform or drilling rig, or at a support camp which is in proximity and integral to such platform or rig, if the platform or rig is located in the United States north of 54 degrees north latitude, or
- (D) such expense is-
  - (i) for food or beverages provided by a restaurant, and
  - (ii) paid or incurred before January 1, 2023.

Clauses (i) and (ii) of subparagraph (C) shall not apply to vessels primarily engaged in providing luxury water transportation (determined under the principles of subsection (m)). In the case of the employee, the exception of subparagraph (A) shall not apply to expenses described in subparagraph (B).

**(3) Special rule for individuals subject to Federal hours of service**

In the case of any expenses for food or beverages consumed while away from home (within the meaning of section 162(a)(2)) by an individual during, or incident to, the period of duty subject to the hours of service limitations of the Department of Transportation, paragraph (1) shall be applied by substituting "80 percent" for "50 percent".

**(o) <sup>1</sup> Regulatory authority**

The Secretary shall prescribe such regulations as he may deem necessary to carry out the purposes of this section, including regulations prescribing whether subsection (a) or subsection (b) applies in cases where both such subsections would otherwise apply.

(Added Pub. L. 87–834, §4(a)(1), Oct. 16, 1962, 76 Stat. 974 ; amended Pub. L. 88–272, title II, §217(a), Feb. 26, 1964, 78 Stat. 56 ; Pub. L. 94–455, title VI, §602(a), title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1572 , 1834; Pub. L. 95–600, title III, §361(a), (b), title VII, §701(g)(1)–(3), Nov. 6, 1978, 92 Stat. 2847 , 2903, 2904; Pub. L. 96–222, title I, §103(a)(10)(A), (B) Apr. 1, 1980, 94 Stat. 212 ; Pub. L. 96–598, §5(a), Dec. 24, 1980, 94 Stat. 3488 ; Pub. L. 96–605, title I, §108(a), Dec. 28, 1980, 94 Stat. 3524 ; Pub. L. 96–608, §4(a), Dec. 28, 1980, 94 Stat. 3552 ; Pub. L. 97–34, title II, §265(a), (b), Aug. 13, 1981, 95 Stat. 265 ; Pub. L. 97–248, title III, §§307(a)(1), 308(a), Sept. 3, 1982, 96 Stat. 589 , 591; Pub. L. 97–424, title V, §543(a), Jan. 6, 1983, 96 Stat. 2195 ; Pub. L. 98–67, title I, §102(a), title II, §222(a), Aug. 5, 1983, 97 Stat. 369 , 395; Pub. L. 98–369, div. A, title I, §179(b)(1), title VIII, §801(c), July 18, 1984, 98 Stat. 718 , 995; Pub. L. 99–44, §§1(a), 2, 6(b), May 24, 1985, 99 Stat. 77 , 79; Pub. L. 99–514, title I, §§122(c), (d), 142(a)–(c), title XI, §1114(b)(6), Oct. 22, 1986, 100 Stat. 2110 , 2117–2120, 2451; Pub. L. 100–647, title I, §§1001(g)(1)–(4)(A), (5), 1018(u)(2), title VI, §6003(a), Nov. 10, 1988, 102 Stat. 3351 , 3352, 3590, 3684; Pub. L. 101–239, title VII, §§7816(a), 7841(d)(18), Dec. 19, 1989, 103 Stat. 2420 , 2429; Pub. L. 101–508, title XI, §11802(b), Nov. 5, 1990, 104 Stat. 1388–529 ; Pub. L. 103–66, title XIII, §§13209(a), (b), 13210(a), (b), 13272(a), Aug. 10, 1993, 107 Stat. 469 , 542; Pub. L. 105–34, title IX, §969(a), Aug. 5, 1997, 111 Stat. 896 ; Pub. L. 108–357, title VIII, §907(a), Oct. 22, 2004, 118 Stat. 1654 ; Pub. L. 109–135, title IV, §403(mm), Dec. 21, 2005, 119 Stat. 2632 ; Pub. L. 113–295, div. A, title II, §221(a)(46), Dec. 19, 2014, 128 Stat. 4045 ; Pub. L. 115–97, title I, §§13304(a)(1)–(2)(E), (b)–(d), 13310(a), Dec. 22, 2017, 131 Stat. 2124–2126 , 2132; Pub. L. 116–260, div. EE, title II, §210(a), Dec. 27, 2020, 134 Stat. 3066 .)