

## Figure 23-2

### **EXPENSE REIMBURSEMENT POLICY EXAMPLES**

#### **EXAMPLE I.**

- A. Facts: Specialist entertains referring doctor and has a specific business discussion regarding a particular patient.
- B. Result:
1. Practice: The expense is tax-deductible under IRC Section 162 and Section 274. Accountable plan rules apply under Reg. 1.62-2(c)(2).
  2. Specialist: The expense is not includable in income and not reportable as wages on Form W-2. Reg. 1.62-2(c)(4).

#### **EXAMPLE II.**

- A. Facts: Specialist takes referring doctor to dinner, sporting event or entertainment without significant business discussion, before or after, for marketing purposes or for purposes of goodwill, e.g., appreciation of past business.
- B. Result:
1. Practice: The expense is not tax-deductible under IRC Section 162 or Section 274. Expense deductible as compensation if expense is considered compensation to specialist. If expense is not compensation to specialist, at practice's option, expense not deductible as compensation to practice. IRC Section 274(e)(3).
  2. Specialist: The expense is or is not compensation to specialist at option of practice. IRC Section 274(e)(3).

#### **EXAMPLE III.**

- A. Facts: Specialist gives certain tickets to sporting or entertainment event to referring doctor.
- B. Result:
1. Practice: The expense is not tax-deductible under IRC Section 162 or Section 274. Expense is deductible up to \$25.00 as a business gift. Reg. 1.274-2(b)(1)(iii)(b)(2) and 1.274-3(a).

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2. Specialist: The expense is or is not compensation to specialist at option of practice. IRC Section 274(e)(3).

**EXAMPLE IV.**

A. Facts: The expense otherwise deductible under IRC Section 162 and Section 274 not authorized for payment by the practice. Specialist pays expense personally.

B. Result:

1. Practice: Not applicable.

2. Specialist: Specialist can deduct expense personally, two percent over adjusted gross income. IRC Section 67(a).

**EXAMPLE V.**

A. Facts: Practice provides sports tickets to specialist for family use and specialist uses sports tickets for personal purposes.

B. Result:

1. Practice: The expense is not tax-deductible to practice and would be considered as a dividend if more than the di minimis under IRC Section 132-6(c)(1) and (2). Di minimis means not more than occasional.

2. Specialist: The expense is includable as income to practice owner/specialist under Reg. 1.61-9, unless di minimis.