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Lunch With Warren Buffett Costs \$3.45M, But You Can Write It Off On Your Taxes

The [bidding on eBay](#) for lunch with Warren Buffett has ended, with the [high bid a whopping \\$3,456,789](#). So far, as occurred in 2012, it looks as though the high bidder is staying anonymous. In any case, American taxpayers are footing part of the bill via a tax deduction. How much does a tax deduction reduce the cost of lunch with [Warren Buffett](#)? If your combined state and federal tax rate is 50%, a costly item is actually half price, which isn't bad.

Not everything is deductible of course, but you might be surprised how many things Uncle Sam can help you cover. In some cases, you can even deduct items when you don't have receipts. That's a [rule the IRS keeps quiet, that receipts are sometimes optional](#). Yet tax deductions can be controversial, even some gifts to charity. President Obama has pushed for cutting back on charitable contribution deductions, but he got a cold shoulder even from his own party. But more people complain about business tax write-offs than charitable ones.



Berkshire Hathaway Chairman and CEO Warren Buffett speaks during an interview with Liz Claman on the Fox Business Network in Omaha, Neb., Monday, May 4, 2015. (AP Photo/Nati Harnik)

Way back in 1961, President Kennedy said that, “The slogan—‘It’s deductible’—should pass from our scene.” But it hasn’t happened. Last year, the [expensive lunch date went to Zhu Ye](#), chairman of online Chinese gaming company Da Lian Zeus Entertainment. This year the format is much the same.

The winning bidder and up to seven guests will take their pricey lunch with the [Berkshire Hathaway](#) Chairman at Smith & Wollensky Steak House in New York City. The market value of a steak lunch for seven people is probably a few hundred dollars. Still, talking turkey with [Warren Buffett](#) could be invaluable. That is why the annual lunch auction is such a popular offering. Every year, [Glide Memorial Church](#) in San Francisco gets a whopping donation, and it is for a good cause.

Not every single dollar of the [\\$3,456,789](#) bid will be deductible, of course. Charities like Glide must send the donor a letter saying how much is tax-deductible. That will depend on the value of the meal, but that probably isn’t much. The rules for charity auctions and other events follow this pattern. If you pay \$250 for something worth only \$100, you have a \$150 deduction.

No matter how fancy a restaurant, if the Buffett lunch costs \$1,000, most of the \$3,456,789 should be deductible. But isn’t the whole point of lunch with Buffett the great insights and opportunities one hopes to get? Maybe, but oddly enough, the tax write-off is still huge. In fact, Mr. Buffett’s presence—or any celebrity’s for that matter—is not treated as having a value.

Sure, you might assume that Mr. Buffett’s investment advice might be priceless. But cleverly, this lunch *excludes* investment discussions. As a practical matter, though, bidders often assume that the lunch might have a *huge* value for the donor. Want proof? Back in 2011, the donor who bought lunch with Buffett now helps manage Berkshire Hathaway’s Investment Portfolio. Perhaps that [suggests that lunch with Warren Buffett can pay dividends](#).

Anyone who has had a run in with the IRS might remember the rule about not deducting lavish or extravagant items. Generally, the tax law says you can deduct reasonable business expenses, but not lavish or extravagant ones. So how can this be deductible? It turns out that the charity context is different. There is no prohibition on lavish charitable giving. But there are percentage limits on gifts that may cause you to have to carry over your deductions into more than one year.

Taxes play an integral part in most business decisions, and few know that better than Mr. Buffett. After all, a payment deductible against current income is vastly more desirable than one devoid of tax benefits. And people know it. Glide has said that its charity lunch auction has raised over \$20 million since 2000. In

2012, the top bid was a record \$3.5 million, and that one was anonymous.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.