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Why You Can't Deduct Your Kid's Sporting Events On Your Taxes

(Photo credit: Wikipedia)

You have to hand it to American ingenuity. It can seem like just about anything can somehow be viewed as a promotional expense. Promotional costs that create business goodwill—for example, sponsoring a little league team—are deductible as long as there is a clear connection between the sponsorship and your business.

Some coaching and sponsorship activity is labeled as entertainment and thus subject to the entertainment rules. Apart from enhanced substantiation, the problem with entertainment is that it limits some deductions to 50% of what you spend. See IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses.

But taxpayers are always looking for ways to deduct something somehow. In *Trupp v. Commissioner*, an attorney went to Tax Court to battle the IRS over $71,836 of business development expenses. No, it wasn't a team sponsorship. He spent the money going to equestrian events in which his ***son*** was competing.

That may sound ridiculous, but he actually got business out of it. Mr. Trupp himself had been a rider in his youth and even came close to the

Olympics. But he retired from riding, went to law school and got a job as a lawyer. When his son Austin started to ride, he went along and schmoozed.

He became president of an equestrian organization and began to represent clients in the equine industry. By going to shows with his son he became known as the attorney father of Austin Trupp. He picked up legal work, developing 40 clients over the years. However, he did not purchase banner advertisements at ringside or set up a table at the shows.

Instead of formally advertising, he stayed ringside, got by on word of mouth, and relied on hearing his son's name announced over the loudspeaker. When people heard his son's name, he testified, they "put two and two together" and thought of dad, the equine industry attorney. That may have worked in an amorphous way to bring in business, but the Tax Court clearly wasn't impressed.

In all, the lawyer deducted $71,836 in business promotion expenses, including horse shoes, boarding, feeding, grooming, transportation, supplements, lessons, and insurance. Noting that he did not ask his law firm to reimburse him for any of these expenses, the Tax Court agreed with the IRS that these activities were not engaged in for profit and were not deductible. What seemed most critical?

The lawyer may have laid out considerable horse expenses, but he did nothing to increase his own exposure to potential clients. The court found that his amorphous approach of relying on his son's name on the loudspeaker and hoping prospective clients would put two and two together was simply not enough.

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