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Internal Revenue Code Section 274(b)(1)

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.

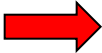
(3) Denial of deduction for club dues.

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.

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