

# View deductions for skybox rentals

Have you finally made it big in the business world? You might enjoy your success by buying skybox seats for your favorite local sports team. Unfortunately, however, the tax law imposes strict rules on deductions for so-called entertainment facilities, including skyboxes.

**Strategy:** Entertain clients who are in town for business. In this way, you may be able to write off some related expenses.

Just be aware that special ground rules apply to skybox seats.

*Here's the whole story:* In brief, you generally can't deduct the costs associated with an entertainment facility (such as depreciation or rent, maintenance and insurance) as entertainment expenses. The definition of an "entertainment facility" covers any property that you own, rent or use for entertainment. This includes yachts, hunting lodges, fishing camps, tennis courts, bowling alleys, cars, airplanes, apartments, hotel suites, vacation homes—and skyboxes.

But you can still deduct entertainment that precedes or follows a substantial business discussion with a client. If the client is from out of town, the entertainment can take place the day before or after the business meeting. Of course, the usual 50% limit on entertainment deductions still applies.

Another special rule affects skybox or other private luxury box rentals if the box is leased for more than one event. Your deduction must be based on the value of nonluxury box seats for the same event.

**Example:** Your firm rents a 10-seat skybox at the baseball stadium for \$10,000 for five ballgames. But a nonluxury box seat costs \$100 a seat. Thus, the deductible amount for 10 nonluxury box seats for five games is limited to \$5,000. Assuming you qualify for business entertainment deductions for all 10 seats, your write-off is \$2,500 (50% of \$5,000).

When you determine if a skybox rental is for more than one event, consider each game or performance as a single event. For example, if you have the skybox for four World Series games, this is treated as a lease for more than one event. However, if you rent three skyboxes for a single World Series game, that is treated as just one event.

**Tip:** Charges for food and beverages can be deducted separately.