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May 2026

Tax-Saving Tips

Claim Motor Home Deductions Right—or Lose Like the Jacksons Did

Here's an important tax planning opportunity—and caution—regarding the deduction of a motor home used for business purposes.

The *Jackson* case highlights that many taxpayers lose this deduction not because it is invalid, but because it is improperly structured or documented.

When this situation is handled correctly, a motor home can qualify as a business transportation vehicle, a lodging facility, or both, allowing for substantial tax deductions. The key is properly applying the tax rules and clearly establishing business use.

Tax law permits deductions for travel-related lodging when you are “away from home” on business, meaning your business-use motor home expenses qualify as deductions.

The financial benefits can be significant. For example, if you purchase a \$300,000 motor home and use it 80 percent for business, you may be eligible for up to a \$240,000 first-year deduction using bonus depreciation. Alternative methods, such as Section 179 or MACRS depreciation, can also provide, assuming 80 percent business use, up to \$240,000 in deductions, either immediately or over time.

Success depends on proper execution:

- Your business use must exceed 50 percent to avoid recapture of deductions.
- You must maintain detailed records, including logs for business mileage and logs of business nights used for lodging.
- You need to document the business purpose for each trip and overnight stay.
- You establish your travel lodging tax position with Internal Revenue Code Section 280A(f)(4).

Without this documentation, deductions can be denied entirely—as seen in the *Jackson* case.

Make Church and Charity Gifts Business Write-offs

Recent tax law changes make it more challenging to receive meaningful tax benefits from charitable giving.

Under the current 2026 rules, higher standard deductions and new limitations mean many taxpayers receive little or no benefit from itemizing charitable contributions. Additionally, personal donations are made with after-tax dollars, often increasing the overall cost of giving.

But as a business owner, you can beat this problem.

Your business can structure certain payments to charities as ordinary and necessary business expenses. When structured this way, your business takes the deduction on its business return, reducing not only income taxes but also (potentially) self-employment taxes or, if applicable, payroll taxes. In addition, the business deduction generally lowers your adjusted gross income, improving eligibility for other tax benefits.

To qualify, the payment must have a clear business purpose and a reasonable expectation of financial return. In practice, this means the expense should function as advertising, promotion, or customer development.

There are several proven strategies:

- Sponsoring charitable events to promote your business
- Donating a percentage of sales to encourage customer purchases
- Supporting local organizations to enhance community branding
- Using coupons or rebate-style programs tied to charitable giving

Proper documentation is essential. To support the deduction, maintain records such as sponsorship agreements, marketing materials, and evidence of business intent.

How the Augusta Rule Turns Home Rental into Tax-Free Income

Here's a valuable tax strategy, commonly known as the Augusta rule, that can help you generate tax-free

income while claiming a legitimate business deduction.

If you own a business structured as an S corporation, a C corporation, or a partnership, you may rent your personal residence to your business for up to 14 days per year. When this is done correctly, the results are highly favorable: your business deducts the full rental expense while you personally receive the rental income tax-free.

For example, if your home rents for \$1,500 per day and your business rents it for 14 days, your business can claim a \$21,000 deduction. That deduction reduces business income, and in the case of an S corporation or a partnership, it reduces income that flows through to you.

On your personal tax return, you report the \$21,000 as taxable income, then subtract it under the 14-day rule, so your net result is zero tax on the \$21,000.

While tax law supports this strategy, proper execution is critical. You must follow several key rules, including:

- **Rent for a business purpose.** The rental must be for legitimate business use, such as meetings, planning sessions, or employee events.
- **Avoid entertainment use.** Most entertainment expenses are not deductible, so the rental should not be for entertainment purposes.
- **Charge fair market rent.** You must charge a reasonable rental rate supported by documentation, such as comparable market data or an appraisal.
- **Document the business activities.** Keep detailed records of meeting agendas, attendees, and business activities to substantiate the deduction.

Failure to meet these requirements—particularly proving fair rental value and business use—can result in the IRS disallowing the entire deduction.

Lawmakers Punish Employers: Break-Room Coffee Not Deductible

There is an ugly tax law change taking effect in 2026 that could affect a common workplace practice: providing coffee, snacks, and other small refreshments to employees.

For years, these items have been treated as de minimis fringe benefits, meaning employees are not taxed on them, and employers were generally allowed a deduction. But beginning in 2026, the tax code eliminates the employer deduction, even though the benefit remains tax-free to employees.

This change stems from the Tax Cuts and Jobs Act, which gradually phased out the deduction. While employers could deduct 50 percent of these costs through 2025, the deduction drops to 0 percent starting in 2026.

As a result, your business will now bear the full cost of providing break-room refreshments. This creates an unusual mismatch: employees still receive a tax-free benefit, but employers receive no tax relief for providing it.

From a practical standpoint, this rule may influence how businesses approach workplace amenities. Many employers offer coffee and snacks to improve productivity, encourage collaboration, and keep employees on-site. Eliminating the deduction may lead some businesses to scale back these offerings, though doing so could negatively affect morale and efficiency.

What should you do now?

- Review your current spending on employee refreshments.
- Evaluate the increased cost beginning in 2026.
- Consider whether the benefits in productivity and workplace culture justify continuing the practice.
- Ensure your accounting properly reflects the non-deductible nature of these expenses.

While this tax law change may seem minor, it has real cost implications and may require thoughtful planning.

One-Time Pay: 1099, Kiddie Tax, IRA—Get It Right, Now

Here's an often-overlooked tax strategy that can generate substantial family tax savings when handled correctly. If you pay a family member (or even a non-relative) for a one-time project, the tax treatment can be highly favorable—but only if you follow the proper reporting rules.

For example, paying a college-aged child \$23,255 for legitimate services can produce significant benefits. In one case, this created an \$8,593 tax deduction for the payor, while the student owed only \$713 in tax—resulting in a net family tax savings of \$7,880. And of course, the student has the \$23,255.

But beware. There are three critical areas where mistakes commonly occur.

1. Form 1099 Reporting

Unlike typical contractor payments, you **do not** report this income on IRS Form 1099-NEC. Instead, because it is **not subject to** self-employment tax, you report it in box 3 of IRS Form 1099-MISC. This distinction is essential.

2. Kiddie Tax Treatment

Although many assume the kiddie tax applies, it does not in this case. The income qualifies as earned income because it is payment for actual services performed. Kiddie tax rules apply only to unearned income (such as investment income).

3. IRA Contribution Opportunity

This earned income qualifies as “compensation,” meaning the recipient can contribute up to \$7,500 (2026 limit) to a traditional or Roth IRA.

How to Convert Your S Corporation into a Tax-Favored QSBC

Let’s turn our attention to an increasingly valuable tax planning opportunity involving qualified small business corporation (QSBC) stock, especially in light of recent law changes.

QSBCs—essentially, certain qualifying C corporations—offer powerful tax advantages. Most notably, you may be able to exclude up to 100 percent of the gain on the sale of QSBC stock if you hold it for at least five years. In addition, partial exclusions are now available for shorter holding periods (50 percent after three years and 75 percent after four years), making this strategy more flexible than ever.

There are also generous limits on the amount of gain that you can exclude. Depending on your situation, you may exclude the greater of \$15 million (indexed for inflation) or 10 times your investment basis.

Another significant benefit is the ability to defer gains by reinvesting proceeds into other QSBC stock within a specified time frame.

But QSBC status applies only to C corporations—not S corporations. This raises an important

question: How can you take advantage if your business currently operates as an S corporation? There are several potential strategies:

- Revoking S corporation status to convert back to C corporation status
- Forming a new C corporation and transferring assets
- Creating a C corporation subsidiary that qualifies as a QSBC
- Using an asset “drop-down” structure to shift future growth into a QSBC entity

Each option has unique tax implications, including possible recognition of gains during restructuring. In many cases, only newly issued shares will qualify for QSBC benefits, making timing especially important.

In summary, QSBC planning can provide substantial long-term tax savings, particularly for businesses anticipating significant growth or a future sale.