

2009 Myths and Shams - 6/3/2009
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Myths and Shams

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"Myths are public dreams. Dreams are private myths."—Joseph Campbell

As Joseph Campbell notes, many people would love some myths to be true. Sadly, in tax law, there are many myths spread by even some tax practitioners that are plainly untrue. This article will explore some of these, which will also be addressed in future articles.

1. **Personal Consumption myth:** A number of network marketing companies that deal with health and nutrition products require monthly purchases of product. There are a number of folks who believe that these personal purchases are deductible since they need to purchase these items in order to get a check.

Answer: The answer is clear cut: it depends! Although there are some tax practitioners that believe that these personal purchases need to obtain a check are deductible, I have found, after checking with the IRS, that the IRS position is that they are NOT deductible since these items can either be consumed personally or constitute inventory which can be resold. However, as I have often noted, where there is a will.....there's a lawyer. Monthly purchases of product are deductible if they are either thrown away or given away as samples! You would need to document what you did with these items in your Tax Organizer. If you give them away as samples, you need to note:

- Who you gave the product to
- What was given
- When the sample was given out
- How much was the sample, and
- A notation that you gave the product as a sample

I should note that nothing said here applies to monthly fees because what you are getting isn't inventory and can't be resold per se. Thus, your monthly fee/subscription may be deductible if you have a business, which may include your business if you conduct it like a business.

2. **Is commuting deductible?** There are a number of folks who believe (which was supported by a few rogue tax preparers) that commuting to your primary job is deductible if you talk about your home based business with your colleagues.

Answer: This is absolutely false! Generally commuting to and from work is NOT deductible...period. However, despite what I just said, there are ways in which you might be able to claim a deduction for the mileage either to or from work. If you go to a temporary stop for your work before going to work, you can deduct that mileage to work. Thus, if you see a client or prospect related to your job before you go into the office, the one way trip to the office would be deductible. Likewise, if you go to a client, opportunity meeting or prospect and conduct business with them, you might be able to then deduct your trip home. I would closely listen to my automobile discussion in the "Tax Strategies for Business Professionals" program and check with your accountant about this.

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"Wealth Building Tax Secrets of the Rich." He also publishes his tax organizer. For more information on Sandy or his products, go to www.taxreductioninstitute.com