

Tax 3.44 Organization and financing expenses. (Sections 71.04 (7) and 71.05 (8), Wis. Stats.) Expenses in connection with the organization or reorganization of a business enterprise, such as fees for incorporating, attorneys', accountants' and appraisers' charges, and commissions and other expenses in the issuance or sale of capital stock, are properly capitalized when incurred or paid. Such expenses are not deductible from gross income until the business for which the expenses were incurred is abandoned and the business organization itself, or, in the case of reorganization, the successor to the business organization, has been dissolved, or has completely wound up its affairs, whichever is later.

Tax 3.45 Bond premium, discount and expense. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) If bonds are issued at a discount or premium, the net amount of such discount or premium should be amortized over the life of the bonds. If bonds are retired at a price in excess of or less than the issuing price, the profit or loss resulting is taxable income or deductible expense in the year in which such bonds are retired, provided proper adjustment is made for the discount or premium previously reflected in income and in all cases bond expense should be amortized over the life of the bonds. If a bond issue is refunded with another bond issue before the first issue matures, any unamortized discount or expense that is applicable to the first issue must be deducted as current expense in the year that the refinancing takes place and any unamortized premium must be taken up as income in such year.

Tax 3.47 Legal expenses and fines. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) Legal expenses incurred in connection with the operation of a taxpayer's business are proper deductions, unless such business is conducted in violation of law. Fines are not deductible.

Tax 3.49 Professional expenses. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) (1) Professional men may claim as a deduction the cost of supplies used by them in their practice, expenses paid in the operation or repair of an automobile used in making professional calls, dues to professional societies, subscriptions to professional journals, expenses incurred in attending professional conventions, rent paid for office rooms, fuel, light and heat, water, telephone, etc. Costs of attending professional conventions must be limited to the necessary costs and expenses directly attendant upon such conventions. The type of professional convention contemplated by this section is confined to those ordinarily and generally attended by persons of the same professional standing as the taxpayer as necessary to the maintenance of their regular trade or practice.

(2) Amounts paid for professional equipment and instruments, the life of which does not extend beyond one year, may be deducted from gross income in the year of purchase.

Tax 3.51 Traveling expenses. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) Necessary traveling expenses, including transportation, meals and lodging, incurred while away from home in the pursuit of the trade or business, or vocation, from which the income subject to tax is derived, are proper deductions from gross income. An individual whose business requires him to travel and who receives a salary

as full compensation for his services without reimbursement for traveling expenses, or who is employed on a commission basis with no expense allowance, may deduct expenses incurred in such travel, including transportation, meals and lodging. When a salary is paid to an individual and in addition thereto a fixed per diem allowance in lieu of actual traveling expenses, the taxpayer must include the salary and per diem allowances in his income, and may deduct therefrom the actual traveling expenses incurred, including transportation, meals and lodging.

Tax 3.52 Automobile expenses. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) If an automobile is used exclusively for business purposes, the actual expenses of operation, including gasoline, oil, license fees, insurance premiums and depreciation, are deductible from gross income. If the automobile is used partly for business and partly for personal purposes, the expenses of operation, including gasoline, oil, license fees, insurance premiums, depreciation, chauffeur's salary, etc., may be apportioned on the basis of the mileage devoted to business and personal uses, and the amount allocated to business purposes will constitute an allowable deduction from the taxable income derived therefrom.

Tax 3.53 Miscellaneous expenses deductible. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) Expenditures for the purchase and maintenance of uniforms are deductible if (1) the uniforms are specifically required as a condition of employment, and (2) are not of a type adaptable to general or continued usage to the extent that they take the place of ordinary clothing. Other expenditures which are ordinary and necessary in carrying on a profession, trade, or business from which income is derived, may be deducted.

See Reg. 1.152-6

Tax 3.54 Miscellaneous expenses not deductible. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) Miscellaneous expenses which are not properly deductible in arriving at taxable net income include the following: Charges made by a corporation against its income or surplus covering expenses incurred for personal purposes of its officers, stockholders or employes, unless reported as compensation paid on forms 9; rent of living quarters or residence; repairs to a residence; insurance premiums on residence or household goods; expense of transportation from residence to place of employment; living and traveling expenses of teachers and others employed at a distance from their homes at a fixed place where their vocation or occupation is exercised; expenses of teachers in attending summer schools; election and campaign expenses of candidates for office; dues to fraternal orders, social clubs and luncheon clubs; the cost of raising products consumed by the producer and his family. If no accurate account of the cost of raising farm products consumed is kept, the taxpayer shall deduct from total farm expenses \$90 for each adult and \$60 for each child under 18 years of age in the family, as representing the cost of raising farm products consumed.

Tax 3.55 Donations and contributions. (Sections 71.04 (5) and 71.05 (6), Wis. Stats.) (1) Contributions by persons other than corporations to corporations and associations organized and operated exclusively for religious purposes may be deducted regardless of