

CLIENT GIFTS & DEDUCTIONS

THOUGHTFUL, MEMORABLE, & TAX-SAVVY



Gift-giving is one of the most human parts of doing business—it builds relationships, shows appreciation, and keeps you top of mind. **But when it comes to the IRS, generosity comes with limits.**

Here's how to give gifts that make an impact and qualify for deductions.

WHAT COUNTS AS A DEDUCTIBLE GIFT

A deductible gift is something tangible, modest, and business-related—a token of appreciation that builds goodwill without crossing into “entertainment” or “cash equivalent” territory.

Examples: mugs, custom notepads, a beautiful candle, gourmet baskets, books, or flowers.

Non-examples: concert tickets, airline vouchers, and (sorry) gift cards.

THE \$25 RULE

You can deduct up to \$25 per person, per year for client gifts. (Yes, it's been \$25 since the 1960s. Yes, we're still waiting for inflation to catch up.)

Here's how it works:

- **One gift per recipient per year.** If you send a \$20 bottle of wine in June and a \$10 notebook in December, you can only deduct \$25 total.
- **Incidental costs don't count toward the limit.** Engraving, shipping, and packaging are deductible in addition to the \$25.
- **Group gifts count once.** Send a single \$75 gift basket to a company with three partners? You can allocate \$25 to each recipient if they all get equal benefit.

Tannery Tip: Keep a quick spreadsheet or note in your accounting system to track who received what—it'll save you time (and sanity) next January.

WHAT DOESN'T COUNT AS A GIFT

Some business “gifts” are actually entertainment or marketing—which changes how they're treated. Here's the breakdown:

CATEGORY	DEDUCTIBLE?	NOTES
Gift Cards	No	The IRS considers these the same as cash
Entertainment (concerts, sports, shows)	No	Most entertainment deductions were removed post-2017
Promotional Items (mass giveaways)	Yes!	< \$4 + logo + wide distribution (pens, mugs, or branded swag)
Meals	50%	See our full guide here

When in doubt, ask: “Does this feel like appreciation, entertainment, or advertising?” The category determines your deduction.

SMART GIFTING STRATEGIES FOR 2025

1. **Be personal but practical.** A handwritten note with a thoughtful item beats an expensive gift that screams “tax write-off.”
2. **Plan gifts early.** Track who you want to recognize throughout the year—not just at year-end.
3. **Mix in fully deductible items.** Branded promotional products or charitable sponsorships can stretch your impact and your deduction.
4. **Avoid gray areas.** If you wouldn’t want to defend it in an audit, it’s probably not deductible.

TANNERY PERSPECTIVE: GENEROSITY WITH BOUNDARIES

We love when clients build relationships through thoughtful gestures. At Tannery Company, we help clients track, categorize, and maximize every deduction—gifts included—**so your generosity pays off in all the right ways.**

SCHEDULE A MEETING

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