

# You Can Deduct Lobbying Expenses

By Mark E. Battersby

The average pest control operator (PCO) has good reason to feel helpless when facing law changes over which no one seems to have a say. On the local level, this feeling of being powerless is best illustrated by the pest control operator who supported a local official's campaign only to have that individual press to pass a unique sales tax on pest control operations, such as the one recently enacted in Ohio (see *Industry News*, page 22.)

Somewhat akin to those increased sales and other taxes that result from the local politician's need for additional revenue are the tax laws that continually emerge from Washington and the many state capitols with, apparently, little input from those who will bear the brunt of those new taxes.

Fortunately, tucked away in our federal tax laws is a provision that permits a tax deduction for every PCO who lobbies to have sales taxes eliminated and income tax laws repealed or changed.

Specifically, under this little-known clause in our present tax rules, an income tax deduction is allowed for most of the expenses that are related to appearances before, and communications with,

any legislative body, a legislative committee or even an individual legislator. According to the Internal Revenue Service (IRS), the two categories of tax deductible lobbying expenses that are allowed include: (1) expenses incurred in direct connection with appearances, submission of statements or sending communications, and (2) expenses incurred in direct connection with the communication of information between an individual taxpayer and an organization of which he is a member, with respect to legislation or proposed legislation of direct interest to the taxpayer.

Naturally, to the extent that membership dues in any organization are used to fund either of the above categories, they, too, are tax deductible. However, remember, a prime requirement for a legitimate tax deduction is that the legislation or proposed legislation being lobbied

or proposed legislation affects the operator's trade or business, it is of direct interest to him even though it may also affect other taxpayers or business in general.

On a somewhat more technical note, not all of the provisions of the legislation or proposed legislation need affect the PCO's business. One provision within the bill or plan will be enough to qualify the lobbying expense as an income tax deduction.

Legislation or proposed legislation that would meet the direct interest test is that which would either increase or decrease the taxes that apply to the trade or business, the general operating costs of the pest control business or the administrative burdens connected with the running of the pest control operation. Naturally, there are many

Believe it or not, Uncle Sam will help you lobby to keep bad legislation from hurting your business.



for or against must be of "direct interest" to the one claiming the tax deduction.

Legislation or proposed legislation is considered to be of direct interest to any pest control business if it is of such a nature that it may reasonably be expected to affect the PCO's business—whether that effect will be beneficial, detrimental, long-term or immediate.

Obviously, legislation or proposed legislation is not of direct interest to the pest control operation merely because it may affect business in general. Of course, if the legislation

more possibilities, but these give the average operator an idea of what is, and is not, of direct interest to a particular business.

In reality, it is the rare PCO who has either the time or the patience to separate routine correspondence costs into the everyday tax deductible business expenses, and those that are related to lobbying. The cost of an appearance or the preparation of extensive background reports and data is a little easier to keep separate. For the most part,

## Your vehicle is your reputation

The pest control profession is challenged continually by innovative technologies and new approaches to pest management. Therefore, it is essential for pest control operators to use scientific technology and expertise to solve pest control problems in the urban environment.

Today's pest control managers must be aware of federal and state pesticide use regulation, registered technician and commercial applicator certification and proper procedures for selecting pesticide products. They must understand pest biology and be

able to interpret pesticide labels and calibrate application equipment. Understanding and using the technical "skills of the trade" is but half of the success equation. An active professional image is equally as important as being technically competent in solving pest problems.

Pest control consultant George Rambo defines professional image as "... neatly pressed uniforms, clean service vehicles, and the latest equipment."

To illustrate Rambo's point, imagine this hypothetical situation: A service vehicle (with

noticeable pesticide spill stains on its sides) enters a neighborhood, leaking pesticides on the client's driveway; a pesticide-soaked rag is attached to the antenna. The customer greets the service technician at the door and detects pesticide odors on his clothing. The customer glances at his driveway, only to see a rolling hazardous-waste site parked there. James Bria says "This image perpetuates the stereotype that a "PCO is little more than a guy in a uniform (maybe) who sprays chemicals (probably hazardous) to kill bugs."

store and safely transport pesticides on their vehicles. Encouragement and rewards will increase employee morale and provide incentives for every employee to put his best foot forward. Examples of rewards for employees who excel might include:

- Verbal praise
- A certificate of recognition
- Monthly or quarterly in-house "Professional Pest Control Technician" award
- Press releases to local media announcing award
- Posting letters of appreciation from customers in the coffee break room
- Allowing the technician to teach in-service training sessions
- Paycheck bonuses
- Increase in pay scale
- Assignment of new service vehicle and equipment
- Providing the latest educational materials

- Providing incentives for commercial pesticide application certification
- Attendance at workshops and seminars at company expense

### Technician responsibility

An active professional image is a direct reflection of how well a technician handles pesticides in and around a customer's home. Why should a customer believe that prudent pesticide application practices will be followed in his home when the technician is careless with pesticides in his vehicle and on his person?

Established and prospective customers perceive the competency—or incompetency—of the pesticide applicator through his demeanor, the manner in which his service vehicle is maintained, his personal appearance, the way he communicates technical information, and the ultimate success (or failure) of the application. **PC**



**Fred Whitford:**  
"A company that practices what it preaches in terms of pesticide safety imparts to its customers an assurance that prudent application procedures will be followed."

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## 16 ways to make a good impression

Projecting an active professional image will create a positive rapport and enhance technical competency in the eyes of the customer. One never gets a second chance to make a first impression.

- Be polite and courteous to customers
- Have a neat appearance
- Dress properly
- Be competent and well-trained to solve problem
- Be well-organized
- Learn enthusiastically
- Read pest control literature
- Give 100 percent in solving problems
- Read and frequently review pesticide labels.
- View pesticide safety as a top priority
- Lock service vehicle
- Secure equipment neatly
- Clean and remove observable spills from service vehicle
- Carry no trash or rags in the bed of the service vehicle
- Have a clean and orderly cab
- Mix pesticides at job site, not in the vehicle or account.



# Customers judge PCOs by what they drive



By Fred Whitford

It is obvious to those who manage pest control companies that the "squirt and spray" bug man and the baseboard "spray jockey" are rapidly being replaced by professionals who demonstrate wise use of pesticides. Nowhere is this illustrated more clearly than the manner in which pesticides are managed on service vehicles.

In 1989, Whitmire conducted a nationwide customer satisfaction survey. The results indicate that customer confidence is based largely on the image that technicians and service vehicles portray to the public. It is quite clear that service vehicles which are maintained, cleaned and well organized, with pesticides safely stored, leave a positive and long-lasting impression of the company.

Thus, a company that practices what it preaches in terms of pesticide safety imparts to its customers an assurance that prudent application procedures will be followed.

All pest control companies, large and small, should develop a sound policy on how pesticides are stored, handled and disposed of within the organization.

Employees should be given training, guidance and a list of policy criteria expected of them (see the clip-out checklist with this article, Pg. 62).

Company managers must inspect vehicles periodically to determine if prescribed proce-

Safe vehicle  
pesticide storage  
goes hand-in-hand  
with how good  
your clients think  
your service is

dures are being followed and to identify needed improvements for topics of further in-house training programs. Employees should understand that compliance is not an option, but a company expectation. This professional attitude should become the general mind-set of the company.

Employers should demonstrate a willingness to reward technicians who properly maintain service vehicles and who properly



however, most lobbying expenses remain tucked away in the books and financial statements of the pest control operation—at least until an IRS audit.

Thus, it is important to know just what the IRS will accept as a lobbying expense and what they won't—whether it is clearly marked on the income tax return or tucked-away where only an accountant (or IRS auditor) can find it.

For instance, the lobbying expense deduction rules contain two limitations: (1) no tax deduction is permitted for any amount paid or incurred for participating or intervening in any political campaign; and (2) no deduction is allowed for expenditures to influence the general public with respect to any legislation if the written or verbal statements; pertain to action by a legislative body; reflect a view on legislative action, either explicitly or implicitly; and are distributed in a manner so as to reach individuals as voters.

Thus, amounts paid by a pest control operation to taxpayer's associations or local committees to support or oppose state and local initiatives are not tax deductible because the expenses are usually made in an attempt to influence the vote of the public.

### Loopholes

Under our existing tax laws it is permissible to attempt to swing the opinions of our lawmakers, legislative bodies and even committees. But bringing pressure to bear by attempting to rally the public for or against a proposal—no matter how it will affect the operator's business, is *not* tax deductible.

Similarly, contributions to an organization, or at least the portion used to attempt to influence the general public about legislation or proposed legislation cannot, technically, be deducted.

In fact, although a political action committee (PAC) is qualified for tax-exempt status, dues or contributions made to it are tax deductible only to the extent that they are not attributable to the organization's attempts to influence legislation by urging the public to contact legislators.

One ruling by the IRS revealed that they denied a tax deduction for

amounts spent by pest control corporation for printing and distributing to customers and shareholders the text of its president's remarks before the state legislature in opposition to an environmental protection bill. Similarly, costs incurred by a pest control company in preparing and placing advertisements in major state newspapers and regional magazines setting forth objections to proposed bills were not deductible business expenses.

### Grassroots lobbying

Two other IRS rulings focus on the question of whether certain actions constitute the forbidden "grass roots" lobbying. One tax-exempt trade organization that urged its members to contact their employees and customers to have them, in turn, communicate with certain elected representatives to support repeal of legislation considered detrimental to the association is engaging in grassroots lobbying and expenses cannot be deducted.

This action constitutes grassroots lobbying because it attempts to go beyond the association's membership to urge or encourage the public, here consisting of employees and customers of the members, to contact members of a legislative body for the purpose of proposing, supporting or opposing legislation.

Conversely, a tax-exempt trade association is not engaging in so-called grassroots lobbying when it urges its members to write or call their congressmen to recommend support of legislation of direct interest to the association. However, when such communications are directed at prospective members, such action is actually considered grassroots lobbying.

It should go without saying that in today's furor over ethics, neither direct nor indirect contributions made to political candidates or parties are tax deductible as business expenses. However, contributions that are made to a committee organized to bring a national political convention to the locality in which the operator conducts a pest control business are deductible business expenses provided, of course, that they are made with a reasonable expectation of a commensurate financial return.

Regardless of the operator's views

on or use of advertising, no income tax deduction is allowed for amounts paid for advertising in the convention programs of a political party—no matter who publishes the program or who, ultimately, receives the advertising revenues.

That ban on tax deductions for indirect political contributions extends to advertising in publications other than political convention programs if any part of the proceeds directly or indirectly aids a political party or candidate. This same rule also bans deductions for amounts paid for admissions to any dinner or program if any part of the proceeds from the event directly or indirectly inures to, or for, the use of a political party or political candidate.

Admission costs include any separate charge for food or drink. What's worse, this prohibition extends to other events such as galas, dances, theatrical or film presentations, cocktail parties, picnics, sporting events or similar affairs.

### Itemized deductions

On the surface it might not appear to be worthwhile separating routine lobbying expenses that would otherwise be written off as the normal costs of doing business. However, the IRS is becoming more demanding that deductions be itemized and broken down. Thus, entire deductions have been lost because too many miscellaneous expenses were included or too many personal or non-deductible expenses were tacked-away with legitimate write-offs.

The President has frequently promised to eliminate the tax deduction for so-called "lobbying." While not included in his present tax package nor likely to become a reality in 1993, it is a possibility. Thus, taking advantage of the lobbying tax deduction before it is eliminated becomes extra important.

Staying within the permissible framework of the present lobbying expense deduction rules will ensure that a tax write-off is available for those expenses. **PC**

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