Question One

First Transaction: Ursula’s move to her new position

If Ursula had paid for her moving expenses, she would’ve been able to deduct them. The move was over 50 miles and position was certain. But Harley paid for her moving expenses. Is this gross income to Ursula? No. IRC § 132(a) excludes this paid-for fringe benefit from Ursula’s gross income. The moving expenses could’ve been deducted by Ursula. Thus, § 132 applies and excludes Harley’s payment of her moving expenses from her gross income.

2nd Transaction: rent-free home

Here, the issue involves whether the rent-free living should be excluded from Ursula’s income. Or is this a form of compensation? IRC § 119 applies. We’re not concerned with who’s here, only lodging. Of the 3 requirements for rent-free lodging to be excluded from gross income, Ursula was required to live in the home as a condition of her employment. Harley probably wanted her to live in the community. The other 2 requirements are tougher to meet. The home isn’t directly on the business premises.
4th transaction: basement apartment

Probably not gross income to the two nurses. But no tax consequence to V usha due to this transaction.

5th transaction: trip to Asia

First question before discussing other aspects of deducting the trip to Asia, the IRS would definitely argue that first-class first-class round-trip, four-star hotel stay, and fine dining are “luxurious or extravagant” and thus the cost of the trip is outside the scope of IRC § 162. Now, since the convention is outside the US, V usha would have to prove that it was reasonable to hold the convention in Asia given the organization’s business. That’s probably ok. But since “we are the world” convention is reasonable to have any location in the world. Next 4 days was for business, and 4 days was for personal purpose. The trip is either primarily for business or primarily personal. This matters for determining if a portion of the plane ticket can be deducted. If the court says trip was primarily for business, V usha could deduct half the ticket cost. The lodging and food expenses could be deducted, but only for those related to the
41 days attending the convention. Also, no expenses attributable to Bill can be deducted by Ursula since Bill is not an employee of HaLeo. (See IRC § 214(m)(3)). Ursula kept the record of these expenses; HaLeo's reimbursement of these expenses would be gross ordinary income to Ursula.

6th Transaction: the barbecue

The issue here is whether the costs of the barbecue were a gift or a business expense. Also, an issue is whether the barbecue was just a personal expense. Ursula is the hospital employees' employer; the barbecue could be a gift. It's deemed compensation for services. Ursula is not the employer; HaLeo is. So, this is not an automatic compensation for services. If business is not discussed before, during, or after the barbecue, this is a personal expense and not deductible to Ursula. If business is discussed, Ursula can probably deduct the costs of providing the barbecue to her employees under IRC § 274. The "substantial business discussion" test is easy to meet. So, Ursula could probably deduct the costs of the barbecue. But she'd only be able to deduct 50% of the costs.