FOR BUSINESS OWNERS WITH AN S-CORP, C-CORP, OR PARTNERSHIP

A FIELD GUIDE FROM FRAIM CPA

The 10-Minute Augusta Rule *Audit-Proof Checklist.*

By the time you finish this, you'll know whether your home-rental deduction is defensible, what's missing, and what to fix before you claim a single dollar.

BEST FOR

S-Corp owners, partnerships, and other business owners with a separate tax entity holding real meetings at home.

NOT FOR

Sole proprietors and single-member LLCs treated as disregarded entities.

TIME TO COMPLETE

About 10 minutes. Slightly longer if you actually have something to fix.

WHAT IT COVERS

Entity test · 14-day limit · business purpose · meeting file · FMV rate · paper trail · reporting

MF

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The Augusta Rule is one of the cleanest tax strategies on the books — and one of the easiest to fumble. Most problems aren't about whether the rule exists. They happen because the setup looks improvised: thin documentation, fuzzy meeting purposes, a rental rate that looks made up.

This checklist is the same internal pass we run before signing off on a client's Augusta deduction. Work through it once a year. If anything fails, fix it before you file — not after the letter from the IRS arrives.

00 Quick Reality Check

IS THE STRATEGY EVEN AVAILABLE TO YOU?

- [ ] Confirm your business is a separate taxpayer from you personally.
- [ ] Verify the meeting is being paid by an S-Corp, C-Corp, or partnership — not by you as the same taxpayer.
- [ ] Rule out this strategy if you are a sole proprietor or disregarded single-member LLC.
- [ ] Decide whether the meeting has a real business purpose beyond convenience or casual discussion.

01 Stay Inside the 14-Day Limit

THE DEDUCTION LIVES OR DIES BY A CALENDAR COUNT.

- [ ] Count total home-rental days for the year and confirm they are 14 or fewer.
- [ ] Track rental use by calendar day, not hours.
- [ ] Record each meeting date in one master tracker.
- [ ] Match every rental day to a specific meeting file.
- [ ] Cap recurring monthly meetings so you don't accidentally hit day 15.
- [ ] Move additional meetings to another venue if you're getting close to the limit.

WARNING The 15th day is where the simple tax-free treatment breaks. Precision matters more than squeezing out one more meeting.

02 Prove a Legitimate Business Purpose

"OWNER MEETING" IS NOT A PURPOSE. BE SPECIFIC.

- [ ] Create an agenda before each meeting.
- [ ] List discussion topics tied to actual business decisions.
- [ ] Document why the meeting was ordinary and necessary for the business.
- [ ] Identify why your home was being used as the venue.
- [ ] Avoid vague meeting labels like "business discussion" or "owner meeting."
- [ ] Use specific purposes: budget review, quarterly planning, KPI review, hiring decisions, vendor review, pricing updates, or strategy planning.

03 Build the Meeting File

ONE FOLDER PER MEETING. BORING. COMPLETE. SAVED.

- [ ] Save meeting notes or minutes for each rental day.
- [ ] Write down decisions made during the meeting.
- [ ] Document action items assigned after the meeting.
- [ ] Maintain an attendee list showing who participated.
- [ ] Include supporting documents – budgets, KPI reports, proposals, hiring plans, marketing calendars.
- [ ] Store all documents together in one folder per meeting date.

04 Set a Defensible Fair Market Rate

A REASONABLE RATE, BACKED BY PROOF, IS THE WHOLE GAME.

- [ ] Research local venue pricing before charging rent.
- [ ] Collect at least three comparable rates from local sources.
- [ ] Screenshot comparable homes, meeting spaces, hotel conference rooms, coworking rooms, or event venues.
- [ ] Choose a rate that falls within a reasonable local range.
- [ ] Save the comparables with dates and pricing visible.
- [ ] Reject inflated pricing that cannot be justified by the market.

AHA

Most Augusta Rule problems aren't about whether the rule exists. They happen because the rate looks made up. A reasonable rate *with proof* is what turns a clever idea into a defensible deduction.

05 Create a Clean Paper Trail

BORING IS THE GOAL. AUDITORS LOVE BORING.

- [ ] Draft a simple rental agreement between you and the business.
- [ ] State the rental terms clearly — date, purpose, and amount.
- [ ] Pay yourself through a traceable business check or bank transfer.
- [ ] Match the payment to the exact meeting date.
- [ ] Add a clear memo line describing the rental payment.
- [ ] Avoid cash, random transfers, or commingled payments.

06 Report It Correctly

THE STRATEGY FAILS ON THE RETURN IF IT'S MISCODED.

- [ ] Record the payment on the business books as rent or facility rental.
- [ ] Confirm the business deduction is tied to the documented meeting.
- [ ] Exclude qualifying rental income from your personal return when the rules are met.
- [ ] Avoid reporting it as regular rental income if it qualifies for exclusion.
- [ ] Review the treatment with your tax preparer before filing.

07 Audit Red Flag Check

IF ANYTHING HERE FAILS, FIX IT BEFORE YOU FILE.

- [ ] Check that you did not exceed 14 rental days.
- [ ] Check that your rate is supported by local comparables.
- [ ] Check that every meeting has an agenda, notes, attendee list, and supporting records.
- [ ] Check that documents were created contemporaneously – not reconstructed later.
- [ ] Check that payment dates and meeting dates align.
- [ ] Check that meetings were substantive – not social events with minor business talk.
- [ ] Check that your records look consistent, boring, and complete.

Final Pass: Are You Actually Audit-Ready?

SIX CONFIRMATIONS BETWEEN YOU AND A DEFENSIBLE DEDUCTION.

- [ ] Confirm you have a day-count tracker for the full year.
- [ ] Confirm you have a complete file for every rental day.
- [ ] Confirm your pricing evidence is saved and easy to produce.
- [ ] Confirm your payment trail is clean and traceable.
- [ ] Confirm your tax reporting matches the structure.
- [ ] Pause and fix any missing documentation before claiming the deduction.

WHAT "DONE" LOOKS LIKE

If this checklist is complete, you should now have —

- ✓ A valid entity structure
- ✓ Real business-purpose documentation
- ✓ A clean payment trail
- ✓ No more than 14 rental days
- ✓ Fair market value support
- ✓ Correct reporting treatment

That's the difference between **a useful tax strategy** *and* **an avoidable audit problem.**

NEXT STEP

Want a second set of eyes on your *Augusta Rule setup?*

Get your meeting files, FMV support, payment records, and day-count tracker reviewed before filing. A quick review now is far cheaper than defending a weak deduction later.

BOOK A REVIEW CALL →

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This checklist is general guidance and does not constitute tax, legal, or accounting advice. Your facts and circumstances will vary — review your specific situation with a qualified CPA before claiming the deduction.