

SUBJECT: OUT OF TOWN BUSINESS TRAVEL

DATE: 02.11.10

The cost of out-of-town business travel is deductible. There are some special rules for deducting the cost of your out-of-town business travel within the U.S. These rules only apply if the business conducted out of town reasonably requires an overnight stay.

The actual costs of travel (e.g., plane fare, cab to airport, etc.) are deductible for out-of-town business trips. You are also allowed to deduct the cost of meals and lodging. Your meals are deductible even if they are "personal," i.e., not connected with business, although, as with all deductible meals, only 50% of the cost is allowed (80% for long-haul truckers, certain airline, train and bus employees, and certain merchant mariners). Additionally, no deduction is allowed for meal or lodging expenses that are "lavish or extravagant," a term that has been interpreted to mean "unreasonable."

Personal entertainment costs on the trip aren't deductible, but business-related costs such as for dry-cleaning, phone calls, and computer rentals are.

Some allocations may be required if the trip is a combined business/pleasure trip, for example, if you fly to a location for five days of business meetings and stay on for an additional period of vacation. Only the cost of meals, lodging, etc., for the business days are deductible—not for the personal vacation days.

On the other hand, with respect to the cost of the travel itself (plane fare, etc.), if the trip is "primarily" business, the travel cost can be deducted in its entirety and no allocation is required. Conversely, if the trip is primarily personal, none of the travel costs are deductible. An important factor in determining if the trip is primarily business or personal is the amount of time spent on each, although this isn't the sole factor.

If the trip doesn't involve the actual conduct of business but is for the purpose of attending a convention, seminar, etc., IRS checks the nature of the meetings carefully to make sure they are not vacations in disguise. Be careful to save all material helpful in establishing the business or professional nature of this travel.

The rules on deducting the costs for your spouse if she accompanies you on a business trip are very restrictive. No deduction is allowed unless she's an employee of yours or your company and her travel is also for a business purpose.

Finally, note that personal expenses you incur at home as a result of taking the trip aren't deductible. For example, the cost of boarding a pet while you're away isn't deductible.

Please call or email if you wish to discuss this matter further or have any questions.