

COMBINING BUSINESS WITH PLEASURE – AND TAKING THE TAX WRITE-OFF

Brian Puckett, JD, CPA/PFS
Mar. 1, 2005

You hear it all the time – “We’re going to Las Vegas, but we can write it off because it’s a business trip.” You may be wondering whether you can do this too.

The short answer is “Yes” – as long as you know the rules. The IRS will want to know whether the primary purpose of the trip is business or pleasure? Here are some guidelines*:

Domestic Travel

- If the primary reason for the trip is business, you can deduct 100% of your transportation costs.
- You can deduct 50% of your business meals.
- Out-of-pocket expenses for personal days are not deductible, although there's a handy way around this if you stay over a Saturday night.
- If staying a Saturday saves total trip costs, you may be able to deduct your expenses for staying the extra days — even if you do no business.

Example: You take a 10-day "vacation" to Orlando, spending one day getting there and one day getting back. You spend 4 days attending a seminar and the other 4 days at Disney World. That's 6 business days (2 travel days + 4 seminar days) and 4 personal days. Because the number of business days exceeds the personal days, here's what you can deduct:

Little by little, one travels far.
J. R. R. Tolkien

- 100% of your transportation expenses (even though 40% of your days were personal days), and
- 100% of your expenses for the 6 business days, including hotel bills, cab fares, rental car, seminar fees, dry cleaning, & laundry. Meals are limited to a 50% deduction.
- The expenses for the 4 personal days are not deductible.

What is this worth? Assuming you spend \$1,000 for transportation and the 6 business days, a sole proprietor in the 35% tax bracket (15% federal tax + 15% self-employment tax + 5% state tax) saves \$350. Three hundred and fifty bucks!

Foreign Travel

The rules are a little different for foreign travel:

- *The Short Trip Rule.* For foreign business trips lasting one week or less, you can deduct all your transportation costs (plane fare, cabs to and from airports, etc.).
- *The 25% Rule.* When your trip lasts more than a week, you can deduct all your transportation costs and your daily expenses for business days as long as you spend less than 25% of your days vacationing. Your travel days count as business days.
- *The Allocation Rule.* If you can't use the Short Trip Rule or the 25% Rule, you can still deduct your daily expenses for all business days and the business percentage of your transportation costs (business days divided by your total days abroad.) Again, travel days count as business days.

Travel can be a hot audit area for the IRS, so it pays to know the rules when taking write-offs. For more information, call our office or consult your tax advisor.

** These guidelines are not intended as tax advice. Be sure to consult your tax advisor for information on your specific situation.*

Brian Puckett, JD, CPA/PFS is the managing principal of Brian Puckett Retirement Advisors, a Federally Registered Investment Adviser. Brian provides comprehensive wealth management services to individuals, families, trusts, corporations and non-profits.
Phone: (405) 607-4820 or Web: www.puckettadvisors.com.