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Combining Business Travel With Pleasure

Map out plans for top deductions

Are you planning a long business trip this fall? If the destination is known for its cultural attractions or recreational activities, you might want to combine business with a little pleasure. The good news is that the bulk of your expenses are deductible if you handle things the right way. However, if you are not careful, you could run afoul of some tricky tax rules.

Background: Generally, you can deduct business travel expenses from your home to another part of the country if the *primary purpose* of the trip is business-related. (Special rules may apply to foreign travel expenses.) This includes the cost of airfare and transportation to and from the airport. Alternatively, you may deduct costs of traveling by car, rail, bus, ferry or some other means. In addition, you can write off your lodging and 50% of your meals attributable to business travel.

Conversely, if the trip is really a vacation in disguise, you cannot deduct any of your travel expenses. To prove your claim, you must show that you spent more time on business than pleasure. Thus, the number of “business days” versus “personal days” is critical. Tax advantage: The days going and coming back are treated as business days. This can make your case clear-cut.

Example: Mr. Jones leaves on a business trip on Sunday. He spends the next four days – Monday, Tuesday, Wednesday and Thursday – in meetings before wrapping up a big deal. Then he relaxes on the golf course on Friday and stays the weekend to do some sightseeing. On Monday, Jones flies back home, concluding his nine-day trip.

On these facts, Jones has spent a total of six days on business, including the four days in meetings and the two days traveling. In comparison, he spent only three days on personal pursuits. Because he can count six business days versus three personal days, he qualifies for business travel deductions. Of course, Jones cannot deduct any expenses attributable to the golfing or sightseeing. These are purely personal expenses.

What about your spouse? Although you cannot directly deduct expenses attributable to a non-employee spouse, you may write off the amount you would have had to spend to travel alone, even if that is more than half of the amount you pay jointly. For example, if a hotel room for a double costs Jones $300 a day for the nine days and a single would have cost him $200 a day, he can deduct $200 a day, for a total of $1,200 for six business days.

Note that the new Tax Cuts and Jobs Act (TCJA) eliminates the 50% deduction for entertainment expenses. But meals while traveling away from home on business remain deductible under the TCJA. More guidance from the IRS is expected. Reminder: Detailed recordkeeping in this area is essential. Make sure you have all the travel records required to back up your claims if the IRS ever challenges the deductions.

Please contact us if you have questions about how various provisions might apply to you. We would be happy to schedule a tax planning meeting to discuss your specific tax situation. Planning ahead can help you minimize your tax bill and position you for greater success.