

# BUSINESS TRAVEL EXPENSES

## BUSINESS ADVISORY ACTIONABLE PRINCIPLES

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## TRAVEL EXPENSES

### What are business travel expenses?

» Those costs that you have when you are away from your tax home on business

 • Requires you to be away for a period substantially longer than an ordinary day's work

 • May also include temporary work assignments (typically less than one year) away from home

» Are the most common business expenses



### What types of expenses can be deducted?

- » Actual costs of travel (e.g., plane fare, cab to airport, etc.)
- » Lodging for business days
- » Meals – even if not connected to a business function
  - Must not be lavish or extravagant
- » Business related dry cleaning, phone calls, computer rentals
- » Mileage if you drive your own vehicle
- » Shipping baggage to your destination
- » Any other travel costs - rental cars, fees, tips, etc.



### What types of expenses cannot be deducted?

- » Personal entertainment costs
- » Personal expenses you incur at home as a result of taking the trip (cost of boarding a pet, housesitting, etc.)



## YOUR TAX HOME

Entire city or general area where your main place of business is located

### Regardless of where you maintain your home

- » Example: live in Chicago, but work in Milwaukee where you stay in a hotel
- » You cannot deduct the costs in Milwaukee
- » Costs to travel back to Chicago are not for business and not deductible

### Determining main place of business

- » Length of time you normally need to spend at each location for business – **MOST IMPORTANT**
- » Degree of business activity in each location
- » Relative significance of the financial return from each area



## QUALIFYING AS BUSINESS TRAVEL

### Test For Business Travel

- How will the business profit by paying for this travel?
  - Will it lead to current or future profitability?
  - What is the business need or purpose?



### Combined trip, business and personal

- » If more than 50% of days are business - travel costs are 100% deductible
- » Weekends can count as business days. If you travel from Thursday - Monday and you have customer appointments on Thursday, Friday, and Monday, your weekend days count as business days
- » May need to allocate between business and personal
- » Spouse's travel is not deductible, unless they are an employee of the company and also for business purpose
- » How to pay for travel
  - You should have all business travel paid directly using Corporation funds
  - If you have used personal funds, have the business reimburse you for the business portion by 12/31





## DOCUMENTATION NEEDED

### THREE STEPS TO GOOD DOCUMENTATION

#### Before the trip

- » Have correspondence from individuals you set up meetings with, scheduled events, or other plans. Keep this documentation for your “Pre-Trip” evidence planning
- » Create a business trip itinerary

#### During the trip

- » Execute your business itinerary.
- » Document meetings and event times
- » Must be considered a “Working Day” (suggest at least 4 hours of work in that day)

#### After the trip

- » Save any follow-up correspondence from meetings and contacts
- » Document any items missed regarding expenses and calendar events



## FAQS

### » Can I deduct the cost of my spouse and/or dependents traveling with me?

- » No - all travel costs need to have a business purpose. If your spouse/dependent is an employee of the business, you may be able to justify the business purpose. Must be able to show a "bona-fide business purpose" for the travel as a need/requirement of the business.

### » How should I pay for my trip with my spouse – if my spouse's travel is non-deductible?

- » We would suggest paying for the travel costs directly using business funds. You will need to back out the nondeductible portion of travel costs, food, etc. for tax purposes. Generally, your hotel stay would be deductible assuming your cost is equal to the incurred cost if you were by yourself.

### » Can I have my Corporation pay for an "Annual Meeting"?

- » An annual meeting for a Corporation would be where Officers, Directors, and Shareholders meet to discuss the annual business finances, other business planning topics, and business agenda. Generally, annual meetings for Corporations are a deductible expense. CAUTION: If you are going to use travel as an "Annual Meeting", activities and expenses will be closely scrutinized in audit. You need detailed documentation to prove the business purpose of this trip and that it was not just a disguised personal trip.

### » Can a business owner deduct a per diem for meals and incidentals instead of tracking actual expenses?

- » Yes. An employer may use either per diem method for reimbursing employee travel expenses of actual expenses. A self-employed person can only use per diem for the meal costs. For meals and incidental expenses (M&IE), the standard GSA per diem tier rate is \$55 to \$76 per day, depending on where you're traveling. In some cases, the per diem rate may be higher if the city's cost of living is higher than the average. On its own, the standard rate for incidental expenses is \$5 per day.

### » If I use frequent flyer miles to purchase a ticket for business, can I deduct the value on my taxes

- » If you use frequent-flyer miles for a free ticket, the deduction is zero.

