



Making

Business Travel Personal

BY S. KAY BELL

You can enjoy a mini-vacation by tacking personal days onto a business trip and still deduct most of your business expenses.

The next time you're asked whether your trip is for business or pleasure, answer "Both!" With a little bit of planning, you can combine the two. Even better, Uncle Sam could help pay for part of your dual-purpose travel.

By tacking personal days onto the beginning or end of a business trip, you can enjoy a mini-vacation.

And those are the only days you'll have to pay for on your own. The bulk of your travel, and the business meetings before or after your personal days, are tax-deductible business expenses.

The key to this tax break, as with anything that involves taxes, is following Internal Revenue Service rules, particularly when it comes to differentiating and documenting the personal and business portions of your trip.

DETERMINING DEDUCTIBLE EXPENSES

Business owners are allowed to deduct travel expenses, as long as the trip benefits or advances your business.

The expenses also must be what the IRS calls "ordinary and necessary." Unfortunately, there's no cut-and-dried definition of "ordinary and necessary." The determination is based on the facts and circumstances of your business and associated travel.

In general, an "ordinary" expense is one that is common and accepted in your trade or business.

As for "necessary," in a tax context it doesn't mean something that's required to keep your company going. Rather, the IRS accepts an expense as necessary if it is "helpful and appropriate" for your business.

Based on these standards, deductible travel expenses typically include hotels, meals, entertainment and round-trip travel to meet with current or potential clients. The cost of conventions and seminars specifically targeted to your profession or which improve your career skills also are usually deductible. 

PERSONAL VS. BUSINESS

You can deduct the cost of your out-of-town transportation as a business expense, regardless of whether you got there via auto, train, bus or air. And since you had to travel anyway, it's okay with the IRS if you spend a few days having fun before or after your work is done.

That means you don't necessarily have to apportion your travel costs for tax purposes. Your roundtrip airfare to a business convention in Orlando, FL, for example, is fully deductible, even if you spend some personal time at Disney World in connection with the trip.

Adding a few personal days to a trip could even save you some out-of-pocket money without adversely affecting your tax claim. This could be the case if you travel on a Saturday to get a better fare. Although your business meetings don't begin until the following Monday, your weekend lodging costs usually are deductible.

You do, however, have to track, and pay for, your specifically personal lodging. Don't try to play fast and loose here. The IRS is not likely to accept a claim of a full day for business if you simply have an hour-long breakfast business meeting and then the rest of the day is yours to do what you want. In this case, the IRS probably will require you to pay for that night's lodging as a personal expense.

And don't plan too elaborate of a personal agenda in addition to your business trip. It could invalidate all of your legitimate business expenses.

If you spend three days getting to and meeting with clients, then five extra days sightseeing, the IRS will consider your travel primarily personal and travel or lodging deductions will be disallowed.

THE PRICE OF A GOOD MEAL

Doing business over a meal is a traditional business practice, whether you're at home or on the road. However, the tax break here is for only 50% of your business-related dining costs.

The one good thing here is that meals provide you a bit more flexibility when it comes to travel deductions.

Remember that business breakfast that wasn't enough to make your hotel room that day deductible? You can still write off half the cost of the eggs and bacon as a deductible business expense.

BUSINESS TRAVEL WITH FAMILY

Ever wonder why the previously mentioned Orlando, FL or Las Vegas, NV are such popular business convention sites? It's because businessmen and women like to take along family members for some fun time together once the business meetings are complete.

The IRS has no problem with that. You still can deduct your legitimate business expenses. But you need to be more careful in your recordkeeping.

Unless your spouse and children work for you, their expenses won't be deductible. But if you share a room, Uncle Sam will pick up some of the cost. The additional charge for extra occupants typically is not double the room rate for one guest. So most of your family-shared room charge will be deductible for the days you conduct business.

And although your airfare alone is deductible as a business expense, if you drive to your work-related meetings, you can write off the total travel mileage even though your kids were in the backseat asking "Are we there yet?" for the whole trip. *AW*

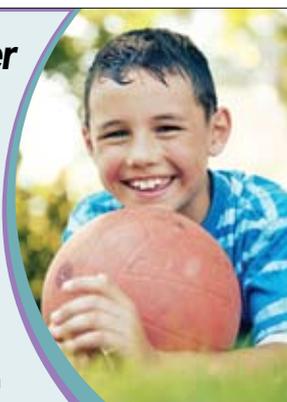
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