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## Meet the Trainer



Keep More Commissions with Tax Breaks



# Lesson 3: Part 1

## Combine Personal Pleasure With Business Travel

### What is travel?

**Definition:** According to the IRS, you are “traveling” when you are away from home **overnight** or for a period of time sufficient to require sleep.

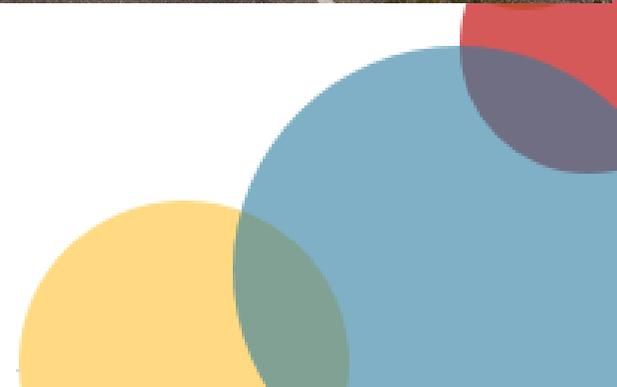
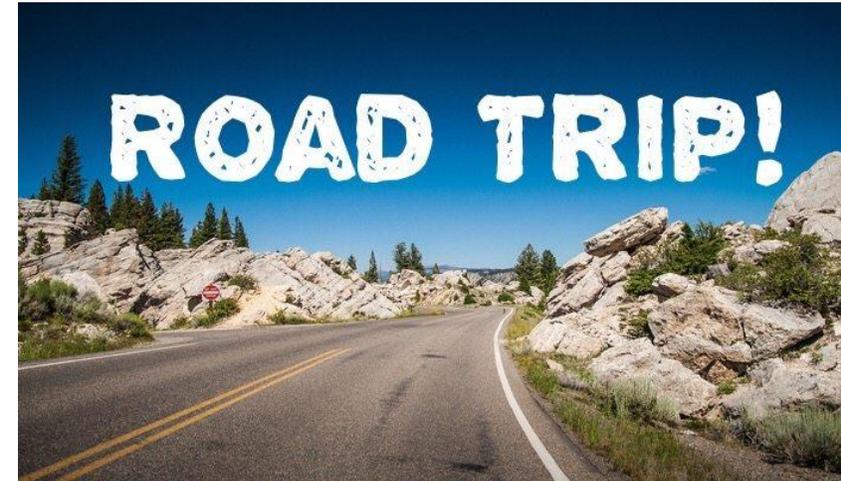
**Example:** live in Washington, D.C., fly to New York City in the a.m. and return in the p.m. You are **not** traveling.

**Transportation trip:** Example above is classified as a non-travel trip and you can **only deduct transportation costs**. No meals can be deducted.

### Two categories:

- **Transportation expenses:** Transportation costs include the expenses you incur in getting to and from your destination.
- **On the road expenses:** Include **all** costs necessary to sustain life while on your trip such as lodging, meals, laundry, dry cleaning, and similar expenses.

**Expenses allowed:** Tax law allows business travel deductions at 100% **except** for travel meal costs which are limited to 50%. (spend \$50 on meals deduct \$25).





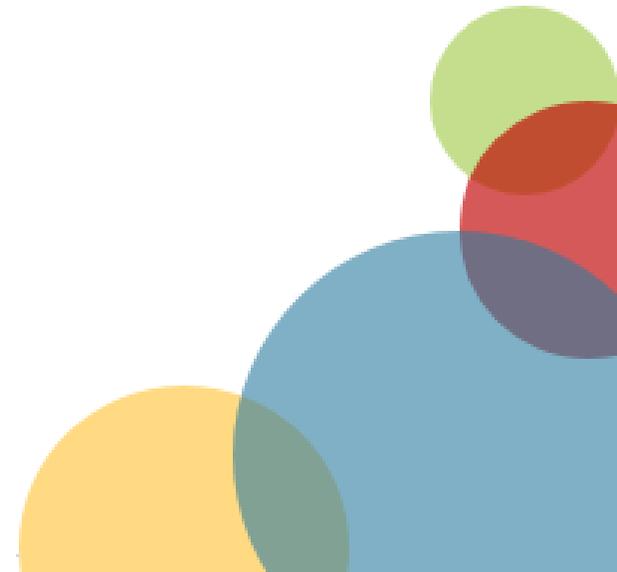
**The primary purpose of the trip must be for business:**

For any travel to be deductible, you **must** have a specific business purpose **BEFORE** you go.

**Example:** primary purpose to attend daughter's wedding at Disney World and you make some business contacts – **not deductible.**

However, primary purpose to set up referrals, meet prospects, etc. and you happen to have a good time while you are there! – **deductible** (this is a gray area)

**Keep all receipts and be honest as to the expenses**



## Strategy One: Hire Your Spouse

To take your spouse on a business trip and deduct expenses for both, you must have a legitimate reason.

If your spouse is in an entirely different business than you, taking your spouse to your business convention would **not** result in tax deductions for your spouse.

**However, starting in 1994, if your spouse and/or dependents:**

1. Is a bona fide employee of your business, and
2. Is traveling for a bona fide business purpose, and
3. The expense would otherwise be deductible, you **can** obtain a tax deduction for traveling together.

If your spouse is licensed in your business & needs the information contained in the convention/seminar for continuing education for his/her license, they may attend and deduct on their own tax return.





## Strategy Two: Use Business Car for Family Travel

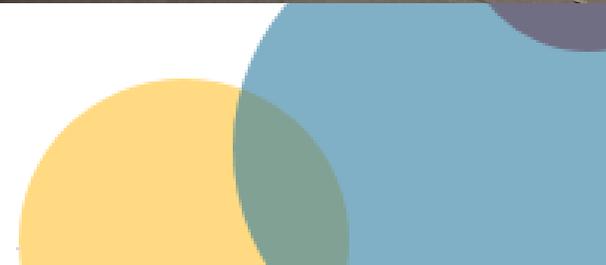
**Car expenses:** Tax law allows you to deduct the cost of your business trip.

If you travel with nonbusiness family members, you are allowed to deduct the cost that you would have incurred had you taken the trip alone. **All of your business car expenses are deductible.**

### Lodging & meal expenses:

When it comes to lodging and meals, you deduct **all** of your costs as if you had taken the trip alone.

**Example:** Hotel cost is \$60 single occupancy, \$70 for family occupancy – you deduct \$60. The \$10 difference is nondeductible.



### **Strategy Three: Drive 300 Miles a Day Toward Your Business Destination**

The Federal gov. reimburses IRS employees a full days per diem for each 300 miles of travel. Take advantage of this rule.

Plan your trips to cover 300 miles per day in direct route to your business destination. Each such day will count as a full business day and also allow you to deduct your “on the road expenses” for the day.

### **Strategy Four: Deduct Dirty Clothes**

Your deductible “on the road expenses” **include** the cost of getting clothes cleaned and laundered.

**Question:** Do you need to get the clothes cleaned or laundered while you are away from home in order to deduct the expense? **No**

What counts is where the clothes get dirty.

If the clothes were soiled as a result of travel, you may get them cleaned at home and still deduct the cost.

