

Business travel away from home (within the U.S.)

The actual costs of travel (e.g., plane fare, cab to airport, etc.) are deductible for out of town business trips. Significantly, however, you are also allowed to deduct the cost of meals and lodging. Your meals are deductible even if they are "personal," i.e., not connected with business, although, as with all deductible meals, only 50% of the cost is allowed (55% for long-haul truckers, certain airline, train and bus employees, and certain merchant mariners). Additionally, no deduction will be allowed for meals or lodging to the extent the expense is "lavish or extravagant." Although this term is not defined in the tax rules, it has been interpreted to mean "unreasonable."

Personal entertainment costs on the trip aren't deductible, but business-related costs such as for dry-cleaning, phone calls, and computer rentals are.

Some allocations may be required if the trip is a combined business/pleasure trip, for example, if you fly to a location for five days of business meetings and stay on for an additional period of vacation. Only the cost of meals, lodging, etc., for the business days are deductible—not for the personal vacation days.

On the other hand, with respect to the cost of the travel itself (plane fare, etc.), if the trip is "primarily" business, it can be deducted in its entirety and no allocation is required. Conversely, if the trip is primarily personal, none of the travel costs are deductible. An important factor in determining if the trip is primarily business or personal is the amount of time spent on each, although this isn't the sole factor.

If the trip doesn't involve the actual conduct of business but is for the purpose of attending a convention, seminar, etc., IRS checks the nature of the meetings carefully to make sure they are not vacations in disguise. Be careful to save all material helpful in establishing the business or professional nature of this travel.

The rules on deducting the costs for your spouse if she accompanies you on a business trip are very restrictive. No deduction is allowed unless she's an employee of yours or your company and her travel is also for a business purpose.