

## Deducting the costs of a spouse on a business trip

The rules for deducting a spouse's travel costs are very restrictive. First of all, to qualify, your spouse must be your employee. This means you can't deduct the travel costs of a spouse, even if his or her presence has a bona fide business purpose, unless the spouse is a bona fide employee of your business. This requirement prevents deductibility in most cases.

If your spouse is your employee, then you can deduct his or her travel costs if her presence on the trip serves a bona fide business purpose. Merely having your spouse perform some incidental business service, such as typing up notes from a meeting, isn't enough to establish a business purpose. In general, it isn't sufficient for her presence to be "helpful" to your business pursuits—it must be "necessary." In most cases, a spouse's participation in social functions, even as hostess, isn't enough to establish a business purpose. That is, if her purpose is to establish general goodwill for customers or associates, this is usually insufficient. Further, if there is a vacation element to the trip, i.e., if your spouse will be spending time sightseeing, etc., it will be more difficult to establish a business purpose for her presence on the trip.

If your spouse's travel satisfies these tests, the normal deductions for business travel away from home can be claimed. These include the costs of transportation, meals, lodging, and incidental costs such as dry cleaning, phone calls, etc.

Even if your spouse's travel doesn't satisfy the requirements, however, you may still be able to deduct a substantial portion of the trip's costs. This is because the rules don't require you to allocate 50% of your travel costs to your spouse. You need only allocate to her any *additional* costs you incur for her. For example, in many hotels the cost of a single room isn't that much lower than the cost of a double. If a single would cost you \$150 a night and a double would cost you and your spouse \$200, the disallowed portion of the cost allocable to your spouse would only be \$50. And if you drive your own car or rent a car, the cost will be fully deductible even if your spouse is along. Of course, if public transportation is used, and for meals, any separate costs incurred by your spouse wouldn't be deductible.