ANCHIN
Private Client

Mixing Business **with Pleasure?**

Many business travelers are making side trips to explore personal interests or spend time with family members in a new place. The number and size of tax deductions will vary depending on the blend of business and pleasure. Here are a few tips to help avoid common pitfalls pertaining to tax deductions.

Document carefully. The IRS requires records to substantiate both expenses and time spent on business and pleasure. Remember the four "W's" to support deductions for business meals and entertainment (e.g., who, when, where, why). If paying with a credit card, make sure to flag expenses from trips and separate between business and pleasure. Receipts and other documentation can be retained in paper or electronic form. Various smart phone apps can keep tabs on pesky items like car mileage and gas. Calendars in either electronic or paper form should be kept to help substantiate business versus personal days.

International travel. There are two rules that allow you to fully deduct international travel costs. If traveling outside the U.S. where the primary purpose of the trip is for business and the trip is for one week or less, you can deduct the full amount of the airfare or other travel costs, even if you had personal days within that time period. If you are traveling outside the U.S. for more than one week and your personal days are less than 25% of your total days, you can still fully deduct your airfare and travel costs. If you do not meet either of these two exceptions, airfare would generally be allocated among the deductible business and nondeductible personal. However in certain very limited situations, you still may be able to deduct the full amount of the airfare. These are very general rules and there are other requirements that need to be met. If you are away longer, then the IRS will require more detailed documentation to prove the eligibility of business deductions.

Domestic travel is simpler. You must show that the trip is "primarily" for business. Lodging and food costs related to business are fully deductible, although there is a 50% limitation of the deductions for meals and entertainment. In the event that you choose to bring your family or friends along, be mindful that expenses incurred on behalf of them will not be deductible.

Business entertainment vs. personal entertainment. Going to the Olympics in Rio de Janeiro? If you are hosting business clients (or potential clients), this trip could be deductible if you can show that before, during, or after the events you are conducting business. Again, meals and entertainment would be limited to a 50% deduction. If you are using a private jet to get to event, note that including family and friends on these flights may decrease the deductibility. These IRS rules are complicated, so we suggest that you consult with one of your advisors for the details specific to your case.

Frequent flyer miles are a great tax-advantaged perk. You can use all frequent flier miles accumulated during business trips for personal travel, tax free. If you exchange those perks for cash, however, the IRS will consider that to be a taxable event.

Due to the complexity of the IRS rules on business travel, we suggest that you contact your Anchin relationship partner or a member of Anchin's Private Client Group prior to the trips, so that we can help make your trip as pleasurable and painless as possible.

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