

GROWERTALKS

Features

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Tax Write-offs: Business Trip Benefits

Mark Battersby

Imagine an enjoyable and educational vacation with Uncle Sam—in the form of our tax laws—picking up part of the tab. That's right—every grower and retailer, the owners, managers and employees of that operation (even someone who's a shareholder/employee), can legitimately claim an income tax deduction for the expenses of attending trade shows, conventions and meetings.

Much has been said and written about the benefits of attending events, like Cultivate in Columbus every July. Largely unheralded, however, are the tax-related benefits every grower and retailer attending will enjoy. Quite simply, the government will underwrite a portion of the costs associated with attendance at Cultivate or any trade show, convention or meeting.

Conventions are broadening—and deductible

Thanks to our tax laws, the government will pick up the tab for a sizable portion of your expenses while attending meetings, trade shows or conventions—if you follow the rules. Generally, all that's required in order to qualify for convention-related tax deductions is that you be able to show, if asked, that attendance at the event benefited your business.

A major downside to the convention expense deduction is that it's not available for the expenses of attending a convention or meeting related to investments or other income-producing property. On the plus side, the IRS recently updated the rules for deducting the expenses incurred while traveling on business.

The tax rules clearly state that all travel expenses are tax deductible if the trip to the meeting or convention was entirely business related. So long as the trip is “primarily” for business purposes and, while at the event, you extended your stay for a vacation, made a non-business side trip or had other non-business activities, you may still deduct your business-related travel expenses.

If, on the other hand, the trip was primarily for personal reasons, such as a vacation, the entire cost of the trip is a nondeductible personal expense. Naturally, you can deduct all expenses incurred while at your destination that are directly related to attending the event.

Deducting the essentials

The tax-deductible travel expenses include such expenditures as:

- The registration fee for the conference or convention and any related books or materials.
- Round-trip airfare, train fare or bus fare at cost or the Standard Mileage Allowance for business travel if you drive (or, as an alternative, a percentage of the total actual costs of operating your car) and related red cap tips.
- Taxi fares to and from the airport, train or bus station, to and from the hotel, and to and from other business locations while away.
- Hotel or motel lodging expenses, including tips to bellman and maids, and the cost of laundry services.
- All meals (although as with any business meals, only 50% is actually deductible).

And, of course, all of the costs associated with attending the event itself.

Entertainment essentials

Although the costs of meals and lodging while away from home for business travel or attending trade shows is deductible—at least so long as they're not "lavish or extravagant under the circumstances"—the deduction for meals is limited to 50% of the total expenses. Food and beverage costs incurred in the course of travel away from home fall within the scope of the tax law's limitation for meal and entertainment expenses that generally limits the deduction to 50% of such expenses.

The 50% rule is applied only after determining the amount of the otherwise allowable deductions. For instance, the portion of a convention-related meal that's lavish and extravagant must first be subtracted from the meal cost before the 50% reduction is applied.

Bringing company

If travelling with family members, only the expenses of the attendee are deductible. Fortunately, there are special rules if a spouse or other family member works for the business.

Should any attendee's spouse, family members or others accompany them to the trade show, either the attendee or his or her business can deduct their travel expenses. But only if that individual:

- 1 Is a bona fide employee of the business;
- 2 Has a bona fide business purpose for the trip; and
- 3 Would otherwise be allowed to deduct the convention expenses.

Per day, per diem

Although every attendee must substantiate the time, place and business purpose of expenses paid or incurred when traveling away from home on business, they have the option of keeping the actual expense records or using an IRS-provided expense allowance. The IRS's "per diem" allowance can be used to substantiate the "amount" of convention expenses for lodging, meals and incidental expenses.

While the per diem allowance eliminates the need for substantiating actual costs, records must still be maintained proving the time, place and business purpose of any travel or convention attendance. Unfortunately, if your employer is related to you or is an incorporated business in which you're more than a 10% principal, the standard meal allowance can't be used.

Under the optional high-low method for travel after October 1, 2013, the maximum per diem allowance is \$251, with a per diem allowance of \$170 for lodging and \$52 for Meals and Incidental Expenses (M&IE).

The per diem rate for meals and incidental expenses includes tips given to porters, baggage carriers, bellhops and hotel maids (the “incidental” expenses)—so the actual out of pocket for these incidentals are not deductible if you claim the per diem. On the first and last day of a business trip, you claim 75% of the per diem amount, unless you can show you leave before breakfast on the first day and return after dinner on the last.

Backing up the convention expense deductions

As the IRS points out, the use of a per diem substantiation method isn’t mandatory; any grower or retailer may substitute actual allowable expenses. Of course, in order to claim any tax deductions, an attendee must be able to prove that the expenses were actually paid or incurred.

While the actual amount of the “per diem” deduction can be taken from tables published by the IRS, it remains necessary to prove (through adequate records or sufficient corroborative evidence) the time, place and business purpose of the convention-related travel.

Of course, documentary evidence, such as receipts or paid bills, isn’t generally required for expenses that are less than \$75. However, documentary evidence is required for lodging expenses.

Writing off education, fun and business

Imagine reaping business benefits, an education and enjoyment wrapped up in one trip. In reality, the agenda of the convention doesn’t have to deal specifically with your business; it’s enough that you reasonably can be expected to gain some business benefit from attending that event. Best of all, thanks to our tax rules, Uncle Sam will pick up a part of the cost of attending those shows, meetings and conventions. **GT**

Mark Battersby is a freelance writer who specializes in business finance.