

# Deducting Your Vacation

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Now that it's summer I'm sure you've gotten together with friends and neighbor's and at least one of them has bragged about being able to deduct their vacation. You probably just smiled and then either wondered if it was really legal or when the IRS was going to come knocking on their door.

Well, it is possible to legally deduct a business trip and the IRS doesn't have a rule against having fun while on business. The important thing to remember is to properly document it.

In order to satisfy the IRS, you should make a business appointment **before you leave** for your trip. You can not just go on vacation and hand out your business card and expect the IRS to let you deduct your trip. You must have at least one business appointment before you leave in order to establish the "prior set business purpose" required by the IRS.

So if you want to deduct your vacation, set up business appointment for each city or destination you plan to visit. If you have your own business you could look in the phonebook for possible new vendors in all the cities you plan to visit. Then send out postcards to each vendor saying that you're coming to town and looking for new vendors and then interview those who respond to your postcard when you arrive in town. If you use this approach then you **MUST** keep one postcard for your files, the list of places you sent your postcard and copies of all correspondence with potential new vendors noting your appointment times, etc.

The second thing you needs to consider **before you leave** is that in order for your travel to qualify as "business travel" and thus be deductible, you have to be traveling for business. The IRS says you are traveling for business whenever you are sleeping overnight in a location that is not your home.

For every day you are on business travel, you can deduct 100% of lodging, tips, shoe-shines, laundry and dry cleaning, car rentals, and 50% of your food. So if you spend three days meeting with potential vendors and you spend \$50 a day for food, you can deduct 50% of this amount, or \$25.

According to the IRS, no receipts are required for any travel expense under \$75 per expense. The only exception would be for lodging. **You always need a receipt to prove lodging.** But if you pay \$6 for drinks on the plane, \$6.95 for breakfast, \$12.00 for lunch, \$50 for dinner, you do not need receipts for anything since each item was under \$75. **NOTE:** It is extremely important to document all your expenses items. All expenses for traveling should be documented in a business log book.

Not only are your on-the-road expenses deductible from your trip, but also all laundry and dry-cleaning costs for clothes worn on the trip. This means that your first dry cleaning bill that you incur when you get home will be fully deductible. Make sure that you keep the dry cleaning receipt and have your clothing dry cleaned within a day or two of getting home.

If you have a business day on Friday and another one on Monday, the IRS will allow you to deduct all on-the-road expenses during the weekend. So if you make at least one appointment on Friday and one

on the following Monday, then even if you have no business on Saturday and Sunday (other than trying to enjoy your vacation), you may deduct on-the-road business expenses incurred during the weekend.

The IRS allows you to deduct transportation expenses if business was the primary purpose of your trip. This is determined based on how many days you conduct business on your trip. The majority of the days in the trip must be for business activities or you cannot make any transportation deductions. It's all or none.

For example, let's say you spend six days in San Diego. You leave early on Thursday morning. You have a business seminar on Friday and meet with potential new vendors on Monday and fly home on Tuesday, taking the last flight of the day home after playing a complete round of golf. All of these days would be considered business days. Thursday is a business day, since it includes traveling. It doesn't matter if you do anything for pleasure as well. Friday is a business day because you attended a business seminar. Monday is a business day because you met with potential new vendors in prearranged appointments. Saturday and Sunday are sandwiched between business days, so they count. Tuesday is a travel day. So every day was deductible.

Using the same facts as the previous example you managed to accrued six business days. This means you could spend another five days having fun and still deduct all your transportation to San Diego. The reason is that the majority of the days would be business days (six out of eleven). However, you can only deduct six days worth of lodging, dry cleaning, shoe shines, and tips. The important point is that you would be spending money on lodging, airfare, and food, but now most of his expenses will become deductible.

With proper planning, you can deduct most of your vacations if you combine them with business.

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