

# BEST TAX PRACTICE -

## *Out Of Town (OOT) Business Travel*

For additional information, see IRS Publication 463 (Travel, Entertainment, Gift, and Car Expenses) and the IRS Topic 511 (Business Travel Expenses)

### **101 NOVICE:**

When traveling Out of Town (OOT) for business, you may be able to deduct “usual and ordinary” business-related expenses. If any of the expenses are reimbursed to you, cannot deduct the expense on your taxes. The presumption made, for the sake of this paper:

- One's **Tax Home** and their **Family Home** are one-in-the-same (you live and work in the same area)
- You maintain your usual and regular overhead home expenses while you are traveling OOT (you continue to pay rent, etc., where you live, while you are OOT)

For the expenses to be deductible, the purpose of the trip must be **primarily** for business.

- If your trip is primarily for business and while at your business destination you extended your stay for personal reason(s), made a side trip, or had other personal activities, you can deduct only your business-related travel expenses.

### **201 INTERMEDIATE:**

Out Of Town business expenses are kept separate from your regular (in-town) business expenses as the OOT expenses are reported separately on the tax return. You must have **ALL actual receipts** for **ALL** OOT expenses unless otherwise noted. In the event of an audit, relying on credit card statements as proof of an expense does not have to be and usually is not enough proof to the IRS; you must have actual receipts (*copies acceptable*).

Separate your OOT expenses under the following **categories**:

- **Fare** (or Mileage Logs & vehicle expense receipts, including tolls, if using personal vehicle). (Include “fare” related fees, etc., such as bag fees, parking fees - i.e., parking at the airport or other expenses incurred in getting to and from your port of departure).
  - If you use your personal vehicle to travel to your OOT location, your miles are NOT considered ‘FARE’ though the miles may be considered Business Miles (please see 1-sheet titled, **Mileage Matters**)
- **Lodging**
- **Local Transportation** (taxi, subway, commuter bus, tolls, parking, etc., for business travel at your OOT location)
- **Other** (List any expense that does not fit into any other OOT category)
- **Entertainment** (for Business)
- **Meals & Incidental Expenses (M&IE)** (Meals, room service, laundry / dry cleaning, and fees & tips for persons who provide services, such as food servers and luggage handlers)
  - **NOTE:** If you choose to use the Standard M&IE rates, receipts for M&IE expenses are not required for the IRS however some other taxing authorities may require these receipts.

### **301 ADVANCED:**

There are different and specific rules for Out Of Town (OOT) expenses if:

Your Tax Home is different than your Family Home (you regularly work in a different location than where you live)

You have an “Indefinite Assignment” vs “Temporary Assignment”

Your trip is **primarily** for Personal Reasons (though you have business to conduct or business expenses while on your trip)

Your travels are outside of the United States

Your travels are for a convention, or include Luxury Water Travel or are onboard Cruise Ships

If applicable, you would want to bring this to the attention of your tax preparer.

**BEST PRACTICE:** Separate your Out Of Town (OOT) expenses by the categories listed and have **ALL** receipts for **ALL** OOT expenses.

**Postscript:** If you have a legitimate BUSINESS reason to travel back to your emotional / familial grounds, you may want to show that you had more than one trip there in a year for which you also want to have a business trip. Many people who live in an area different from where is their emotional / familial ties, will travel back for family events, holidays, etc., and want to call it a “business trip” and presume that because they had some kind of “business meeting” while there grants the premise of being able to take a business expense the whole trip. This would be wrong and disallowed in an audit.