

Tax Tidbit #3: Carpe Diem -- Seize The Per Diem Method and Throw Away Your Receipts

By Wayne M. Davies

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Tax Tidbits:
Presented by Wayne M. Davies of www.YouSaveOnTaxes.com .

Short but sweet tax nuggets for the Small Biz Owner and/or Self-Employed Person, each morsel serving up a specific tax reduction strategy guaranteed to tickle your monetary taste-buds.

The U.S. Tax Code is so big, there's only one way to digest it: one little nibble at a time.

Just like a piece of candy, one small bite of tax knowledge can give you one very delicious deduction!

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(and Throw Away Your Receipts)

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The mantra of tax record-keeping has remained relentlessly burdensome for decades:

"No Receipt, No Deduction".

But fear not, you who loathe the never-ending climb up the mountain of paperwork required by the U.S. tax code.

Many of our most beloved tax rules have exceptions, and such is the case with this one.

Believe it or not, there are actually expenses you can legally deduct without a receipt. Here's one for self-employed folks who travel out-of-town on business.

When it comes to deducting your meals while on an overnight business trip, you have two options with regard to record-keeping.

OPTION #1:

You keep your receipt from each meal and simply deduct the cost of the meal times 50%, a la the "No Receipt, No Deduction" rule.

OPTION #2:

You use The Per Diem Method to determine your meal deduction. For each day of the trip, you are allowed a daily meal allowance, depending on what part of the country you were visiting.

For example, the per diem meal rate for Birmingham, AL is \$42. For San Francisco, it's \$50.

Like Option #1, your actual deduction is 50% of the per diem amount -- \$21 in Birmingham and \$25 in San Fran.

To find the per diem allowances, go to:

<http://www.policyworks.gov/perdiem> . If a particular area is not listed, then the allowance is \$30 per day.

Take note: There are two very nice advantages to The Per Diem Method.

Benefit #1: You don't have to keep receipts for your meals. Yep, you can pitch 'em. Scouts honor.

Benefit #2: It doesn't matter how much you actually spend on meals, you still get to deduct 50% of the per diem amount. This can result in hundreds of dollars in tax savings for you.

Example:

You regularly go to several major cities for overnight business trips, traveling about five days each month. These cities all have a per diem rate of \$50.

You are frugal. To save both time and money, you prefer to eat at fast food restaurants three times a day. On average, you spend only \$20/day on meals.

But the per diem rate is \$50/day. If you used Option #1,

your actual deduction would be \$20 x 50%, or \$10/day.

With Option #2, you get to deduct \$50 x 50%, or \$25/day.

The difference between Option #1 and #2 is \$15/day.

Over the course of the year, this adds up to an extra \$900 in deductible meal expenses (\$15/day x 60 days) -- even though you didn't actually spend the extra \$900!

End result: you save \$315 in taxes (assuming your combined federal and state income tax rate is 35%).

And you can throw away 60 days worth of meal receipts.

Whoa . . . \$315 in tax savings without spending a dime.

. . . Now that's a tasty little morsel!

One final note: The per diem method is available to Sole Proprietors, Partners and LLC Members. If your business is a Corporation and you own more than 10% of the company stock, you can't use the per diem method for yourself. Sorry! That's taxes for ya.

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Wayne M. Davies is author of the new eBook, "The Tax Reduction Toolkit: 29 Little-Known Legal Loopholes That Will Reduce Your Taxes By Thousands (For Small Business Owners and Self-Employed People Only!) Don't file another tax return until you visit:
<http://www.YouSaveOnTaxes.com/toolkit.html>
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