

Tax Tidbit #5: How to Deduct Your Next Vacation

By Wayne M. Davies

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Tax Tidbit #5: How to Deduct Your Next Vacation <http://www.YouSaveOnTaxes.com/toolkit.html>

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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It is perfectly legal to deduct your next vacation.
Here's how to do it.

To qualify for this deduction, you must meet the following two criteria:

1. You are self-employed or own a small business
2. On your next trip, you combine business with pleasure.

The first requirement is pretty cut and dried.

The second requirement is somewhat trickier and will be the focus of this article.

To deduct any U.S. trip, you can combine business and pleasure, but the primary purpose of the trip must be business.

And here's how the IRS defines a trip taken primarily for business purposes: the number of "business days" is greater than the number of "personal days". To complete the definition, travel days are considered "business days".

Here's an example to clarify the rules:

You take a 10-day "vacation" to Orlando. You spend one day getting there and one day getting back. You spend 4 days attending a seminar. The other 4 days are spent with Mickey Mouse & Company.

Let's tally up the days:

Business Days = 6 (2 travel days + 4 seminar days)

Personal Days = 4 (doing theme parks)

So, are the number of business days greater than 50% of the total days? Yes. So here's what you get to deduct:

-- 100% of your transportation expenses (even though 40% of your days were personal days)

-- 100% of your "on-the-road" expenses for the 6 business days, including hotel bills, cab fares, rental car, seminar fees, dry cleaning, laundry and meals. (Although the meal expenses are still subject to the 50% rule.)

The on-the-road expenses for the 4 personal days are not deductible. But you're still getting a great tax break here.

Assuming you spend \$1,000 for transportation and the 6 business days, a sole proprietor in the 35% tax bracket (15% federal tax + 15% self-employment tax + 5% state tax) saves \$350.

Three hundred and fifty bucks!

Hmmmm . . . now that's a tasty little morsel!

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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:

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