

# Combining a Business Trip with a Vacation

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With the warmer weather approaching, you may be looking to spend some time at the beach, on the golf course or just relaxing by the pool. If you can add a few days of vacation onto a business trip, so much the better. Besides saving money, you may qualify for some generous tax breaks.

The basic rules are pretty simple: As long as the primary purpose of the trip is business-related, you can write off all your qualified travel costs within the United States. That means you may deduct such expenses as airfare, transportation to and from airports, lodging and 50% of your business meals, all with the blessing of the IRS. However, if a vacation is the primary motivation behind the trip, you cannot deduct any of your expenses.

How can you prove the “primary purpose” of your trip is related to business? Typically, you must show that the number of days spent on business exceeds the number of personal days while you are away from home.

For example, if your trip lasts one week and you spend four of those days on business, you qualify for business deductions, even if you spend the other three days on personal pursuits. Of course, any side trips of a personal nature—such as a sightseeing excursion or a shopping spree—are nondeductible.

Be aware that you may count your travel days as business days. Even better, you can also count weekends and holidays that fall between business days if it would be impractical for you to return home on those days.

Also, “standby days” when the client requests that you are needed count as business days, regardless of whether you are actually called in to work. Similarly, days that you intend to work but could not for reasons beyond your control are counted as business days. For instance, a business meeting might be canceled because your client falls ill.

In the event your company reimburses you for travel costs, the reimbursements are tax-free to you, as long as you could have deducted the travel expenses under the rules explained above. Any excess reimbursements or amounts paying for personal expenses represent taxable compensation. If you are self-employed, unreimbursed business travel costs may be deducted in full on the appropriate tax forms. On the other hand, employees must claim unreimbursed travel expenses as miscellaneous itemized deductions.

You can write off miscellaneous expenses only to the extent that the total exceeds 2% of your AGI. Due to this 2%-of-AGI limit, you may get no or little tax benefit from travel costs.

Other special rules apply to foreign travel, luxury water travel and business conventions. Convention deductions may depend on the location. Consult a professional tax adviser for more details.

Keep a detailed log of all of your business activities. If your deductions are ever challenged by the IRS, you will need these records to show that the primary purpose of the trip was business-related.

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