

Bask in the Tax Glow of Winter Conventions

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Are you feeling stuck in the winter doldrums? You might take the opportunity to attend a convention on a tropical island or other resort area. First and foremost, you can brush up on the latest developments in your field. Second, you can spend some “down time” relaxing. Third, if you meet certain tax law requirements, you can deduct the cost of the convention as a business expense.

The basic rules for business conventions are the same as the rules for regular business trips. In other words, you can deduct the “ordinary and necessary expenses” incurred while traveling away from home. Of course, the primary purpose of the trip must be related to your business operation.

If the convention takes place in the North American area, you may deduct 100% of your travel expenses and 50% of your business-related meals and entertainment. If you are footing the bill yourself, these expenses are treated as miscellaneous itemized deductions. Currently, you may deduct the total of your miscellaneous expenses above 2% of adjusted gross income (AGI).

However, if the convention is being held outside the North American area, there’s another tax hurdle to clear: You must show that it is as reasonable for the convention to be held outside the North American area as within it. If you don’t pass this “reasonableness test,” you cannot claim any deductions for the convention.

What countries are included in the North American area? Besides Canada, Mexico and the U.S. possessions, the list includes the following countries and territories:

- Antigua and Barbuda
- Guyana
- Aruba
- Honduras
- Bahamas
- Jamaica
- Barbados
- Marshall Islands
- Bermuda
- Micronesia
- Costa Rica
- Netherlands Antilles
- Dominica
- Palau
- Dominican Republic
- Panama
- Grenada
- Trinidad and Tobago

How do you pass the reasonableness test if you go outside the North American area? Traditionally, three factors are used for this determination. You must be able to show the following:

1. The purpose of the convention and the activities taking place at the convention.
2. The purpose and activities of the sponsoring organization or groups.
3. A list of the residences of the active members of the sponsoring organization and the places at which other meetings of the sponsoring organizations or groups have been or will be held.

As a last resort, you may be able to present other relevant factors that can prove that it is as reasonable for the convention to be held outside the North American area as within it.

Whether you attend a convention inside or outside the North American area, you must meet strict substantiation requirements. For instance, you should keep a record of the sessions you attend. You should hold onto the brochures and any other documents that detail the activities at the convention.

Finally, remember that the primary purpose of a convention must be business-related. That's not to say you cannot enjoy yourself while you are at the convention or indulge in some sightseeing or golfing. But the convention trip cannot be a vacation in disguise.

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