

What will you do this summer?

Combine your vacation with business and make life a little less taxing!

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How would you like to deduct all of your vacation costs that you have this year? You can, and it is easy to do. Let me illustrate how to accomplish this with a successful network marketer that I know, Arty.

Arty wanted to take a two-week trip around the US. He learned from my tax system-1- that everything is much cheaper when you get a deduction- Cha- Cha- Cha.

1. Strategy one: Make all business appointments before you leave for your trip

Most people wrongly believe that they can go on vacation and give out their business card in order to make the trip deductible.

You must have at least one or more business appointments before you leave.

IRS, in fact, requires you to have a business purpose incurred before you leave for the trip.

The first thing that Art needs to do is to set up appointments in various cities such as Chicago, Sacramento, and Phoenix before he leaves for the trip. The best way to establish this is for him to put advertisements in the newspaper looking for distributors. He could then interview them when he gets to the business destination.

Example: Art wants to vacation in Hawaii. If he places some advertisements in the paper for distributors or contacts some of his downline to perform a presentation, IRS would presume that his purposed would be for business.

Tip: It would be vital for Art to document this business purpose by keeping a copy of the advertisement, noting what appointments that he will have in his diary, and noting what presentations he will be going to perform. Keeping copies of all correspondence would also be very helpful.

Strategy 2: Be on “Business Travel” to deduct all the on the road expenses

In order to deduct any on the road expenses you must be traveling on business.

By definition, you are on business travel whenever you are sleeping overnight in a strange bed... conducting business!

(Author's note: I have been told at seminars that it is never strange after the first time).

Example: Art wanted to go to a regional meeting in Boston which is only one-hour drive from his home. If he were to sleep in the hotel where the meeting will be held in order to avoid possible automobile and traffic problems, he will be deemed to be on business travel.

Tip: You don't need to live far away to be on business travel. If you have a good reason for sleeping in your destination, you could live a couple of miles away and still be on travel status.

Strategy 3: Make sure that you deduct all of your on the road expenses for each day away.

For every day that you are on business travel, you can deduct 100% of your lodging, tips, shoeshine, laundry and dry cleaning, car rentals, and 50% of your food.

Example: Art spends three days meeting with potential distributors. If he spends \$50 a day for food, he can deduct 50% of this amount that is \$25.

Hot Tip: According to the IRS, no receipts are required for any travel expenses under \$75 per expense. The only exception would be for lodging.

Example: If Art pays \$6 for drinks on the plane, \$6.95 for breakfast, \$12.00 for lunch, \$50 for dinner, he does not need receipts for anything since each item was under \$75.

Tip: You would, however, need to document all these items in your diary. Hopefully, you are beginning to realize that a good tax diary is essential in order to audit proof your records.

If however, Art stays in the Bates motel and spends \$22 on lodging, would he need a receipt? The answer is YES! He would need receipts for all paid lodging.

A hot tip: Not only are your on the road expenses deductible for your trip but you may also deduct all your laundry and dry cleaning incurred if the clothes were soiled on the trip. Thus, your first dry cleaning bill that you incur when you get home would be fully deductible. Make sure that you get the dry cleaning receipt now that you are home and also get your clothing dry cleaned within a day or two of being home. Don't wait two weeks to have your clothing dry cleaning!

Strategy 4: Sandwich weekends between business days.

Interestingly, IRS notes that if you have a business day on Friday and another one on Monday, you may deduct all the on-the-road expenses for Saturday and Sunday.

Example: Art makes appointments in Florida on Friday and has some meeting on the following Monday. Even though he has no business on Saturday and Sunday other than “monkey business,” he may deduct all the on-the-road expenses incurred on Saturday and Sunday as business days.

Strategy 5: Make the majority of your days business days.

IRS says that you can deduct your transportation, in addition to the on-the-road-expenses, if your primary purpose of the trip was for business.

Thus, not only do you have to have some appointments in advance, but also the majority of the days must be for business.

Otherwise, you cannot deduct any transportation expenses. This is an all or nothing proposition.

Factual example: Art spends seven days in San Diego. He leaves early on Thursday morning. He has a seminar on Friday and meets with distributors on Monday and flies home on Tuesday, taking the last flight of the day home after playing a round of golf. The question is how many days are considered business days? Hopefully, you said all of them? Thursday is a business day since it is a travel day. This is true even if upon arrival, he spent the whole day on the beach. Friday is a business day because he had a seminar. Monday is a business day because he met with current and potential distributors in which he had some pre-arranged appointments. Saturday and Sunday are business days since they were sandwiched between business days. Tuesday is a travel day, thus a business day. Thus, every day was considered a business day.

Tip: Since Art had six business days, he could spend another five days having fun and still deduct all his transportation to San Diego. The reason is that the majority of his days would still be business days (six out of eleven). However, since he had six business days, he can only deduct six days worth of lodging, dry cleaning, laundry, shoe shines and tips.

The important point is that Arty would be spending the same money on lodging and airfare and food, but now his expenses will become deductible.

The bottom line is that, with proper planning, you can deduct most of your vacations if you combine them with some business and, therefore, you can make your life a lot less taxing!



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