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Ken Berry, JD • May. 04, 2014

[This is the first of a series of articles on tax-saving opportunities for individual and business clients during the summer months.]

Tip 2: Pocket Key Tax Breaks for Vacation Home Rentals

Due to recent advances in technology, you can now talk face to face with someone halfway across the country without even budging from your desk. Yet it's still important at times for business people to "press the flesh" or meet in person with an associate to conduct meetings or consummate a deal. At least, a business traveler may be entitled to generous tax deductions for his or her expenses.

Suppose a client intends to tack a brief vacation onto the end of a lengthy business trip this summer. Although the rules can get a little tricky, the majority of the costs – including airfare or other transportation back and forth and the business-related portion of the hotel stay, meals and local transportation – is still deductible. Only the portion of the expenses attributable to any personal activity is nondeductible.

The basic premise is you can deduct domestic business travel expenses as long as the primary purpose of the trip is for business and business only. (Additional rules apply to travel to foreign destinations.) In other words, you can't deduct the cost of an excursion to a resort area if you spend a week on the beach and one day trying to convince the locals to invest in your business venture. But you won't short-circuit deductions just because you give yourself a little time off to relax.

For this purpose, the number of days spent on business compared to pleasure is

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Now let's up the ante still further. If a client wants to combine a mini-vacation with a business trip, the business traveler might invite a spouse or significant other along for the ride. Although the spouse's expenses are generally not deductible, unless he or she is also an employee of the business, the client can deduct the amount it would have cost to travel alone – even if that's more than half of the actual cost. For instance, if it costs \$400 a night to stay in a double occupancy room at a ritzy hotel and a single room is \$300, you can write off \$300 allocated to each business day. Over the course of a week, the total lodging deduction is \$2,100, or \$700 more than half the actual outlay of \$2,800.

Finally, note that all the other tax rules for business travel expenses continue to apply. Therefore, the deduction for business meals is limited to 50% of the cost, as is any business-related entertainment. But remember that the big-ticket item of round-trip airfare is 100% deductible provided business is the primary purpose of the travel.

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