# How to Deduct Travel by Car, Train, Plane, or Boat

Say you are going to travel from your home in Washington, D.C., to San Francisco for business. Will the tax law allow you to travel to San Francisco by car, train, plane, or boat, your choice?

**Answer.** Yes. But special rules apply. You need to know these rules to guarantee your deductions.

## Travel by Car

The tax code does not dictate the fastest or cheapest form of travel. Therefore, you can travel by automobile or other vehicle from Washington, D.C., to San Francisco.

When you travel by automobile, your direct route expenses for meals, lodging, and other costs of sustaining life on the road are deductible in addition to the vehicle expenses. Side trips, say to the Grand Canyon, count as personal days and miles. You can combine business and pleasure, but you can deduct only the business part.

## Business Day

You might ask: how many miles do I have to drive in my direct route to qualify the day as a business day? There's no guidance here. This is a facts and circumstances test. Below are some facts and circumstances.

You need to prove that your days traveling in the direct route to San Francisco were business days. In general, this requires passing the primary purpose test where time spent is an important factor.

In the stricter regulations regarding foreign travel, the IRS says that business days are those in which you drive in a reasonably direct route to your business destination, taking into account normal periods for rest and meals.

Staying with the more restrictive foreign rules (because there is no domestic rule), your days are primarily business when during normal business hours your activity for the day is the pursuit of your trade or business.

In the U.S., eight hours is considered a normal business day. Therefore, your travel day must consist of more than four hours advancing you in a reasonably direct route toward San Francisco.

**Example.** On day three of the trip, you spend one hour packing and unpacking and five hours driving 300 miles in a direct route from Washington, D.C., to San Francisco. Day three of this trip is a business day. Your miles are business miles. In addition, you deduct your meals, lodging, and other expenses of sustaining life for the day.

## What If You Bring Your Family?

When you travel by car, you spend nothing extra to have the family in the car. But family presence makes the trip smell more like a vacation than a business trip. This gives you another good reason to make sure your records are in good shape. Family presence does nothing to destroy the expenses of your business trip, but you need to ensure the proper travel documentation.

When you stay at a hotel, there is a rate for you alone and then a rate for the family. You may deduct your rate only.

**Example.** You stop at a hotel and the single rate is $209 a night and the two-person rate is $229. You are limited to the $209 rate—what it would have cost you if you traveled alone. With meals, your business meals are deductible. Meals for your other family members are non-deductible personal meals.

### Travel by Train

Your travel by train faces no special rules other than the reasonably direct route. You can deduct the cost of the tickets if you buy sleeping rooms or simply travel by first class or coach.

**Example.** You travel for business from Washington, D.C., to San Francisco by train. You buy a sleeping room on the train for the trip. Your Amtrak travel fare is $3,000, and it is fully deductible.

### Travel by Plane

By plane, you can travel in coach, in first class, by charter, or in your own aircraft. No special rules apply to commercial travel. You simply deduct the cost of getting to your business destination by a reasonably direct route.

**Example.** Say that on your trip from Washington, D.C., to San Francisco, you take a side trip to Kansas City. You figure your deduction based on the direct route airfare and deduct that. Say you spent $900 on the trip that included Kansas City. If the direct route fare to San Francisco was $500, you deduct $500, and $400 is the cost of your personal side trip.

### Plane Owned by You or Your Corporation

Special rules apply to an aircraft that you own personally or that your corporation owns. The new regulations are effective for tax years beginning after August 1, 2012, and they impact how you should use your or your corporation's aircraft.

### Travel by Boat

Special rules apply to travel by boat. For this purpose, your boat is considered a cruise ship, and any vessel that sails is a cruise ship.

In general, you want to use a cruise ship to travel to a business destination and not as a location to attend a seminar.

If you travel by cruise ship from Washington, D.C., to San Francisco, you may not deduct more than the daily luxury boat limits, which for 2023 are as follows:

- $1,128 a day from 1/1 to 3/31
- $996 a day from 4/1 to 4/30
- $796 a day from 5/1 to 5/31
- $1,076 a day from 6/1 to 9/30
- $776 a day from 10/1 to 10/31
- $734 a day from 11/1 to 11/30
- $1,128 a day from 12/1 to 12/31

**Example.** You travel from Washington, D.C., to San Francisco in November by cruise ship. It takes 10 days. The law limits your cruise ship deduction to a maximum of $7,340 per business traveler ($734 x 10).

***Planning note.*** Most cruise ships do not qualify for a cruise ship seminar deduction because they are not U.S-registered ships. Thus, don't use the cruise ship for education or a seminar; instead, use the cruise ship for travel to your land-based business destination.

### Takeaways

When you plan your next business trip, make sure to consider the travel options:

**Car travel.** You can deduct the business use of your car or other vehicle and also your business expenses for meals, lodging, and other essentials. Side trips for personal reasons aren't deductible. Also, make sure you have more business than personal days so you pass the primary purpose test.

**Train travel.** Ensure your route is reasonably direct. The full cost of train tickets, whether first class or coach, is deductible.

**Plane travel.** You can fly in first class, in coach, by charter, or in your own plane. Side personal trips are not deductible.

**Boat travel.** Travel by boat is subject to daily dollar limits, which vary throughout the year. Using a cruise ship for seminars or education typically doesn't work because there are very few U.S.-registered ships.

Regardless of travel method or whether the trip combines business and leisure or includes family members, be sure to maintain proper documentation and records.

**Connie Densmore**
Financial Advisor
SIGNATURE WEALTH & TAX
cdensmore@signaturewealthandtax.com
(702) 655-3333 – WORK | (702) 203-5704 – MOBILE
www.signaturewealthandtax.com

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