

Abstract: A company owner who travels on business, accompanied by his or her spouse, may be able to deduct all the travel expenses incurred by the spouse. However, the rules are restrictive, starting with the requirement that the spouse must be a bona fide employee of the company. Failure to meet that rule is the reason why, in most cases, a spouse's travel costs aren't deductible.

Can you deduct the costs of a spouse on a business trip?

If you own a company and travel for business, you may wonder whether you can deduct all the costs of having your spouse accompany you on trips. It's possible, but the rules are restrictive.

First, your spouse must be your employee. If that isn't the case, then even if your spouse has a bona fide business purpose for making the trip with you, you won't likely qualify to deduct all of his or her travel costs. In fact, this requirement prevents tax deductibility in most cases.

A spouse-employee

If your spouse **is** your employee, then you can deduct travel costs if his or her presence on the trip serves a bona fide business purpose. It isn't enough for your spouse to merely be "helpful" in incidental ways, such as by typing your meeting notes. Your spouse's presence must serve a necessary business purpose.

In most cases, a spouse's participation in social functions, for example as a host or hostess, isn't enough to establish a business purpose. That is, if his or her purpose is to establish general goodwill for customers or associates, this is usually insufficient. Further, if there's a vacation element to the trip (for example, if your spouse spends time sightseeing), it will be more difficult to establish a business purpose for his or her presence on the trip. On the other hand, a bona fide business purpose exists if your spouse's presence is necessary to care for a serious medical condition that you have.

If these tests are satisfied in relation to your spouse, the normal deductions for business travel away from home can be claimed. These include the costs of transportation, meals, lodging, and incidentals such as dry cleaning and phone calls.

A non-employee spouse

Suppose your spouse's travel doesn't satisfy these requirements. You may still be able to deduct a substantial portion of the trip's costs. This is because the rules don't require you to allocate 50% of your travel costs to your spouse, but only any **additional** costs you incur for him or her. For example, in many hotels the cost of a single room isn't that much lower than the cost of a double. If a single would cost you \$150 a night and a double would cost you and your spouse \$200, the disallowed portion of the cost allocable to your spouse would only be \$50. In other words, you can write off the cost of what you would have paid traveling alone. To prove your

deduction, ask the hotel for a room rate schedule showing single rates for the days you're staying.

If you drive your own car or rent one, the whole cost will be fully deductible even if your spouse is along. Of course, if public transportation is used, and for meals, any separate costs incurred by your spouse won't be deductible.

Contact us if you have questions about this or other tax-related topics.

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