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How to Travel to Exotic Locations Using the Seven-Day Travel Rule

You have to love the seven-day travel rule.

First, the seven-day travel rule is crystal clear.

Second, the seven-day travel rule allows you to deduct 100 percent of the transportation cost to a business destination even when you work only one day and spend the rest of the time at the beach or on the mountain.

Let's examine how you can deduct your personal fun when you travel using the seven-day business travel rule.

Tax Rule

Under Section 274(c)(1), when you travel outside the United States away from home in pursuit of your business, you may deduct only the expenses allocable to the pursuit of business.¹ That's the general rule. But there are two exceptions.

Exceptions

Under Section 274(c)(2)(A), the general rule does not apply to any travel outside the United States when such travel does not exceed one week.² This is the first of the two exceptions and it is the exception that is the subject of this article.

But so that you are not left in the dark as to the second exception, here it is: Under Section 274(c)(2)(B), the general rule does not apply to expenses of travel outside the United States when that portion of time not attributable to the pursuit of the taxpayer's trade or business is less than 25 percent of the total time on such travel.³

IRS Audit Manual



You find additional clarity on the exceptions in the IRS audit manual, the Internal Revenue Manual, which states: "Travel outside of the United States generally must be allocated between business and personal. IRC 274(c)(2) provides two exceptions to the rule that travel expenses be allocated between business and personal.

No allocation is made if foreign travel does not exceed one week, or if less than 25 percent of the trip is personal, then travel to and from the business destination is allowed in full."⁴

IRS Regulations

For purposes of the one-week rule, one week means seven consecutive days.

In identifying the seven consecutive days:⁵

- You don't consider the day in which travel outside the United States away from home begins.
- But you do consider the day in which such travel ends.

Example. You depart on travel outside the United States away from home on a Wednesday morning and end such travel the following Wednesday evening. In this example, the IRS deems that you traveled outside the United States away from home for seven consecutive days only.⁶

Planning note. Think seven nights lodging. That gives you seven days.

Heads Up

This tax benefiting rule applies to travel outside the United States only. It does not apply to travel within the United States.

But for purposes of this seven-day travel rule, the tax rules define the United States as consisting of only the 50 states and the District of Columbia.

Example. You travel to the U.S. Virgin Islands and spend seven days during which you work one day. Your travel transportation costs to and from the U.S. Virgin Islands are 100 percent deductible as business expenses.

Your foreign travel under the seven-day rule works easily for one-on-one necessary business meetings throughout the world (assuming you are meeting with an individual who does not live in the 50 states or the District of Columbia).



But the seven-day rule may not work for you when you are traveling outside the United States to a convention, seminar, or similar meeting, because special rules apply; see [IRS Expands Tax-Deductible Meetings and Seminars Boondoggle Areas](#).

Business-Day Rule

Under the seven-day travel rule, you deduct 100 percent of your transportation costs of getting to and from your outside-the-United-States business destination. But you deduct meals and lodging for business days only.

Example. You travel to London for a one-day business meeting. You spend six days. You deduct 100 percent of your transportation and two days of meals and lodging (day of arrival and day of meeting).

Multiple Meetings

Say on the six-day trip to London that you work on day two and day four; how do you treat day three? Answer: Day three is a business day. It's called a standby day and you may deduct meals and lodging for standby days when you travel outside the United States.⁷

Takeaways

You can use the seven-day travel rule to create a short vacation at a nice resort or exotic location without fear of losing your business expense deductions for transportation. It's simple. It's easy. And it's the law.

If you want to use the seven-day rule for a convention, meeting, or seminar that's being held outside the 50 states and the District of Columbia, be sure to read [IRS Expands Tax-Deductible Meetings and Seminars Boondoggle Areas](#) before taking the trip, to ensure that the meeting produces the tax deductions you expect.

You can use ordinary-and-necessary one-on-one business meetings with an outside-the-U.S. individual or company to create the seven-day transportation deduction without worrying about the rules that apply to conventions, meetings, and seminars.

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- 1 IRC Section 274(c)(1).
 - 2 IRC Section 274(c)(2)(A).
 - 3 IRC Section 274(c)(2)(B).
 - 4 IRM 4.19.15.26.1(11) [Last Revised: 01-01-2016].
 - 5 Reg. Section 1.274-4(c).
 - 6 Ibid.
 - 7 Reg. Section 1.274-4(d)(2)(v).
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