

You determine the nonbusiness portion of that expense by multiplying it by a fraction. The numerator (top number) of the fraction is the number of nonbusiness days during your travel outside the United States and the denominator (bottom number) is the total number of days you spend outside the United States.

None of your travel expenses for nonbusiness activities at, near, or beyond your business destination are deductible.

Example.

Assume that the dates are the same as in the previous example but that instead of going to Dublin for your vacation, you fly to Venice, Italy, for a vacation.

You cannot deduct any part of the cost of your trip from Paris to Venice and return to Paris. In addition, you cannot deduct $\frac{7}{18}$ of the airfare and other expenses from New York to Paris and back to New York.

You can deduct $\frac{11}{18}$ of the round-trip plane fare and other travel expenses from New York to Paris, plus your meals (subject to the 50% limit), lodging, and any other business expenses you had in Paris. (Assume these expenses total \$4,939.) If the round-trip plane fare and other travel-related expenses (such as food during the trip) are \$1,750, you can deduct travel costs of \$1,069 ($\frac{11}{18} \times \$1,750$), plus the full \$4,939 for the expenses you had in Paris.

Other methods. You can use another method of counting business days if you establish that it more clearly reflects the time spent on other than business activities outside the United States.

Travel Primarily for Personal Reasons

If you travel outside the United States primarily for vacation or for investment purposes, the entire cost of the trip is a nondeductible personal expense. However, if you spend some time attending brief professional seminars or a continuing education program, you can deduct your registration fees and other expenses you have that are directly related to your business.

Example.

The university from which you graduated has a continuing education program for members of its alumni association. This program consists of trips to various foreign countries where academic exercises and conferences are set up to acquaint individuals in most occupations with selected facilities in several regions of the world. However, none of the conferences are directed toward specific occupations or professions. It is up to each participant to seek out specialists and organizational settings appropriate to his or her occupational interests.

Three-hour sessions are held each day over a 5-day period at each of the selected overseas facilities where participants can meet with individual practitioners. These sessions are composed of a variety of activities including workshops, mini-lectures, role playing, skill development, and exercises. Professional conference directors schedule and conduct the sessions. Participants can choose those sessions they wish to attend.

You can participate in this program since you are a member of the alumni association. You and your family take one of the trips. You spend about 2 hours at each of the planned sessions. The rest of the time you go touring and sightseeing with your family. The trip lasts less than 1 week.

Your travel expenses for the trip are not deductible since the trip was primarily a vacation. However, registration fees and any other incidental expenses you have for the five planned sessions you attended that are directly related and beneficial to your business are deductible business expenses. These expenses should be specifically stated in your records to ensure proper allocation of your deductible business expenses.

Luxury Water Travel

If you travel by ocean liner, cruise ship, or other form of luxury water transportation for business purposes, there is a daily limit on the amount you can deduct. The limit is twice the highest federal per diem rate allowable at the time of your travel. (Generally, the federal per diem is the amount paid to federal government employees for daily living expenses when they travel away from home, but in the United States, for business purposes.)

Daily limit on luxury water travel. The highest federal per diem rate allowed and the daily limit for luxury water travel in 2014 is shown in the following table.

2014 Dates	Highest Federal Per Diem	Daily Limit on Luxury Water Travel
Jan. 1 – Feb. 28	\$262	\$524
Mar. 1 – June 30	338	676
July 1 – Aug. 31	335	670
Sept. 1 – Sept. 30	374	748
Oct. 1 – Dec. 31	374	748

Example.

Caroline, a travel agent, traveled by ocean liner from New York to London, England, on business in May. Her expense for the 6-day cruise was \$5,200. Caroline's deduction for the cruise cannot exceed \$4,056 (6 days × \$676 daily limit).

Meals and entertainment. If your expenses for luxury water travel include separately stated amounts for meals or entertainment, those amounts are subject to the 50% limit on meals and entertainment before you apply the daily limit. For a discussion of the 50% Limit, see chapter 2.

Example.

In the previous example, Caroline's luxury water travel had a total cost of \$5,200. Of that amount, \$3,700 was separately stated as meals and entertainment. Caroline, who is self-employed, is not reimbursed for any of her travel expenses. Caroline figures her deductible travel expenses as follows.

Meals and entertainment	\$3,700
50% limit	× .50
Allowable meals & entertainment	\$1,850
Other travel expenses	+ 1,800
Allowable cost before the daily limit	\$3,650
Daily limit for May 2014	\$676
Times number of days	× 6
Maximum luxury water travel deduction	\$4,056
Amount of allowable deduction	\$3,650

Caroline's deduction for her cruise is limited to \$3,650, even though the limit on luxury water travel is higher.

Not separately stated. If your meal or entertainment charges are not separately stated or are not clearly identifiable, you do not have to allocate any portion of the total charge to meals or entertainment.