

## ***SBO EXECUTIVE SUMMARY #23***

### **How to Deduct Business Travel OUTSIDE of the UNITED STATES, but INSIDE the “North American Area”**

The rules for deducting Business Travel within the 50 United States are described in detail in “Home Business Tax Savings, Made Easy!” (Ch. 9). HOWEVER, when you venture *OUTSIDE* the U.S. (even when close to the U.S.), the rules are different.

IRS rules for deducting business travel and attendance at business-related meetings in any of the 50 United States and the District of Columbia are covered in Chapter 9 of “Home Business Tax Savings, Made Easy!” BUT the IRS rules for deducting business travel close to the U.S. but *outside* the U.S. are NOT covered in that book.

THIS Tax Savings EXECUTIVE SUMMARY covers the tax-deduction rules for attending business-related CONVENTIONS & SEMINARS in the “NORTH AMERICAN AREA.”

NOTE: These rules apply ONLY to costs for attending business-related Conventions, Meetings, Seminars, and similar meetings. Tax deductions for business travel any OTHER business purpose in the “North American Area” for is governed by the rules for “Overseas Travel,” which is covered in a separate Tax Savings EXECUTIVE SUMMARY.

#### **WHY SHOULD YOU CARE?**

If you attend a business related Convention, Conference or similar Meeting in certain locations that are NOT on a specific IRS-issued list, you will likely have a difficult (or impossible) time writing-off the costs of attendance, including any of your travel, housing, meals, registration fees, etc.

If your company, trade association, professional society or continuing education organization selects the “*wrong place*” to hold the meeting, **it could cost you thousands in lost tax deductions.**

By the way, most companies, organizations and individuals who organize Conventions and Conferences are completely unaware of these restrictions – until one of their members is audited – in which case, everyone who attended that Convention or Conference may be subject to an audit. So it would be dangerous to “assume” that your meeting planners checked-out what you are now learning. “Buyer beware!”

### **WHAT IS THE “NORTH AMERICAN AREA?”**

For all the countries, commonwealths, republics, cays, islands and jurisdictions in the world, the official source of “*who’s in*” and “*who’s out*” of the “**North American Area**” is **IRS Revenue Ruling 2007-28**, which governs deductions claimed under Internal Revenue Code Section 274(h), which describes rules for deducting business travel overseas.

An aside: Let me point out that apparently “knowledge of geography” was not a prerequisite for the government officials who wrote these rules, or they would have given it a different name. For example, Guam and the Midway Islands, both are included in the definition of “North American Area.” Last time I checked my globe, they were both in the middle of the Pacific Ocean. Oh well.

### **IF IT’S NOT BASED ON GEOGRAPHY, HOW DOES A LOCATION GET ON THE LIST?**

The answer may (or may not) shock you. It is determined by whether the country or island or jurisdiction HAS or HAS NOT signed an “Information Exchange Treaty” with the U.S. Our government politely calls these agreements “*Compacts of Free Association*”

That means they have agreed to snitch on U.S. citizens who may have bank accounts, investments, business arrangements or other financial interests in their jurisdictions. In other words, anyone from whom the IRS could potentially extract more taxes.

Essentially, Washington has told them, “If you don’t give us the information we want, we will not let taxpayers who attend educational meetings in your country get any tax deductions for their expenses. That means, of course, they won’t have meetings in your country, so you won’t receive any travel and tourism income from American business meeting attendees.

Here is the exact wording in Tax Code Section 274(h)(6)(C)(i):

“An agreement generally must provide for the **exchange of such information** (not limited to information concerning nationals or residents of the United States or the beneficiary country) **as may be necessary or appropriate to carry out and enforce the tax laws of the United States** and the beneficiary country (whether criminal or civil proceedings), **including information which may otherwise be subject to nondisclosure** provisions of the local law of the beneficiary country **such as provisions respecting bank secrecy and bearer shares.**”

## **WHO IS ON THE “APPROVED” LIST?**

**NORTH AMERICAN AREA currently includes the following 32 locations:**

American Samoa	Jamaica
Antigua and Barbuda	Jarvis Island
Aruba	Johnston Island
Bahamas	Kingman Reef
Baker Island	Marshall Islands
Barbados	Mexico
Bermuda	Micronesia
Canada	Midway Islands
Costa Rica	Netherlands Antilles
Dominica	Northern Mariana Islands
Dominican Republic	Palau
Grenada	Palmyra Atoll
Guam	Puerto Rico
Guyana	Trinidad and Tobago
Honduras	U.S. Virgin Islands
Howland Island	Wake Island

**NOTE #1:** The North American Area ALSO INCLUDES U.S. islands, cays, and reefs that are Possessions of the United States.

**NOTE #2:** The “North American Area” does NOT include the Cayman Islands nor the British Virgin Islands.

If you travel within the North American Area for a conference or convention, you must travel to one of the locations on the list above in order to be eligible to deduct *any* of your travel expenses or registration fees.

You also meet two additional criteria:

- The meeting must be directly related to your trade or business, and
- It must be “as reasonable to hold the meeting outside the United States as inside the U.S.”

## **SUMMMARY**

As long as you are attending a Convention, Conference and similar Business Meeting outside the U.S. but within the North American Area, in any of the 32 “approved” jurisdictions, your business travel tax deduction rules remain as described on Chapter 9 of “Home Business Tax Savings, Made Easy!”

Revenue Ruling 2007-28 is available for download at [http://www.irs.gov/irb/2007-18\\_IRB/ar06.html](http://www.irs.gov/irb/2007-18_IRB/ar06.html)

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### **HAVE A COMMENT TO MAKE ABOUT THIS TOPIC?**

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