



If you travel away from home for business and stay overnight, the IRS allows you to deduct certain expenses connected with that travel. Beginning in 2018, business expenses related to travel are only allowed if you are self-employed.

The deduction that causes most problems and questions from the IRS is the meal and incidental expense deduction.

Substantiation Rules

Substantiation (proof) of meals requires the identification of the location, date, time, cost, and business purpose. If another person is involved, you must identify that person. You must keep receipts to substantiate your deductions. A log book is the easiest way to track this information.

Actual Expense Method

If you claim the actual expense amount for meals, you must provide all of the substantiation requirements listed above. The IRS may reduce any deduction it deems lavish or extravagant.

Standard Meal Allowance

The IRS bases the standard meal allowance on the federal per diem rates for the specific area of travel. For self-employed individuals, the basic meal and incidental rate is \$51 per day for 2018 and \$55 for 2019 unless a higher rate applies for your specific location.

Domestic per diem rates are effective October 1 through September 30 each year. The most current rates can be obtained from the U.S. General Services Administration.

If you are traveling outside the Continental U.S., rates vary widely. You'll need to provide your tax preparer with actual dates and locations so he or she can calculate your meal allowance deduction.

If you travel to more than one area in a day, the area where you stop for sleep and rest determines the allowed amount.

Transportation workers required to stop for sleep or rest can use a special federal rate for meals and incidental expenses. The rate for 2018 is \$63 for travel within the U.S. and \$68 for travel outside the U.S.

Incidental Expenses

Incidental expenses include:

- Laundry and dry cleaning expenses.
- Fees and tips for waiters, baggage handlers, and similar service providers.

Deduct taxi fares and telephone costs separately.

Partial Days

If you are away from home overnight, but not for an entire 24-hour period, you must prorate the standard meal allowance for each partial day. The

most common method for calculation is to break the day into six-hour quarters (midnight to 6 a.m., 6 a.m. to noon, noon to 6 p.m., and 6 p.m. to midnight) and allow a portion of the per diem for each quarter that you are away from home.

Limitations

Allowable deductions include meals away from home overnight or when entertaining a business client. Whether you determine the amount by using actual expenses or by using the standard meal allowance, the IRS limits the actual deduction to 50% of the expense.

Transportation Workers

Individuals who are subject to Department of Transportation (DOT) hours of service limitations can deduct a higher percentage of their meal expenses when they are away from home overnight. The limit for transportation workers is 80%. Individuals subject to the hours of service limitations include certain employees in the following industries:

- Airline
- Interstate trucking
- Bus driving
- Railroad
- Merchant Marine

Lodging

A self-employed individual may **not** use the federal per diem amount for lodging and **must** claim the deduction for **actual** expenses.



Meals and Incidental Expenses



This brochure contains general tax information for taxpayers. As each tax situation may be different, do not rely upon this information as your sole source of authority. Please seek professional advice for all tax situations.

#855 – © Copyright November 2018
National Association of Tax Professionals
PO Box 8002
Appleton, WI 54912-8002
www.natptax.com

NATP[™]