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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 — but only in specific, limited circumstances. This article provides an overview of the rules.

Traveling with your spouse on business? Know what's deductible

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.

When your spouse is also your employee

If your spouse is your employee, you may be able to deduct most of his or her travel expenses. But there are strict rules: You can deduct travel costs only if his or her presence on the trip serves a bona fide business purpose. For example, if you're attending a trade show and your spouse is one of your company's leading sales reps, negotiating and closing sales at the show would likely qualify as a bona fide business purpose.

But it isn't sufficient for your spouse to merely be "helpful" in incidental ways, such as by typing your meeting notes.

Similarly, a spouse's participation in social functions, such as being a host or hostess, generally isn't enough to establish a business purpose. That is, if his or her purpose is to develop 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 challenging 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 your serious medical condition while you're traveling for business.

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

When your spouse isn't your employee

If your spouse *isn't* your employee, 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. But 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, only any *additional* costs you incur for him or her.

For example, in many hotels, the cost of a single room isn't much lower than a double. If a single room would cost you \$150 a night and a double room 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'd have paid traveling alone. To prove your deduction, ask the hotel for a room rate schedule showing single rates for the days you stay.

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

What can you deduct?

While the employee and bona fide business purpose requirements prevent tax deductibility of a spouse's travel costs in most cases, there are circumstances when some expenses can be deducted. Contact us if you have questions about this or other tax-related topics.

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