R.14

Special Rules for Travel Expenses

You may deduct travel expenses that relate to conducting your business including ordinary and necessary expenses associated with traveling to do the ordinary and necessary activities of your business.

The key documentation you need, in addition to receipts, is something to substantiate the business purpose of the trip.

You may deduct travel expenses related to purchasing equipment, supplies, livestock, accessing veterinary, legal, accounting, and educational services, developing marketing relationships, and delivering your product to market.

Travel expenses include: vehicle expenses as discussed above, rental vehicle expenses and related fuel, ferry, airfare, taxi or ride service, hotel, and meals and incidentals.

For meals to be deductible you must be on a trip away from your regular "tax home" for 8 hours or longer. Your "tax home" is the general area in which you regularly conduct business activities - the radius around your farm you typically travel on a typical work day.

Many farmers/ranchers live fairly far from services and may travel several hours to the nearest town or city. That nearest town or city may be part of the area you consider your "tax home" if you regularly travel there and back within a regular work day. The next farthest town or city may be outside of your tax home. In order to be able to take a deduction for your own meals and incidentals for a travel day you have to be outside of your "tax home" for a full 8 hours or longer.

For many farmers the day they travel to a farmers market is a 12-14 hour day and they are outside of their tax home for most of the day - they can take a meals and incidentals deduction for those farmers market days. Draw a circle around your farm as far out north, south, east and west as you go in a typical day - that is your "tax home" everything else is "away."

This resource is derived from materials developed by the University of Arkansas School of Law Agricultural Tax Training as part of the Agricultural Financial, Tax and Asset Protection (AgFTAP) partnership with the University of Arkansas Southern Risk Management Education Center and others.