

TAXABILITY OF INTERNATIONAL TRAVEL WITH PERSONAL USE

Personal travel combined with international business travel may be subject to tax. The taxable amount depends on how much of the trip outside of the U.S. was personal in nature. For this purpose, the United States includes the 50 states and the District of Columbia.

According to the IRS, there is a taxable event if **BOTH** of the following conditions are met:

- The total period of the trip is longer than one week, and;
- At least 25% of the trip is personal.

Following are two examples of international travel with a personal component.

Example 1: Trip With a Taxable Event

An employee travels to London for 10 days, of which 7 days are business related and 3 days of meals and lodging are considered personal and are not reimbursed.

Since the trip was longer than one week and at least 25% personal, the employee must be taxed on 30% of the airfare, which is considered personal use under IRS regulations. (Personal Component: $3 \text{ days}/10\text{days} = 30\%$).

Example 2: Trip With No Taxable Event

An Employee travels to London for 10 days, of which 8 days are business related and 2 days are personal; 80% of the trip is business and 20% is personal.

The traveler is reimbursed for airfare and 8 days of meals and lodging. The other 2 days of meals and lodging are considered personal and are not reimbursed.

The cost of airfare, even though it is reimbursed to the traveler, is not taxable since the personal component is not equal to or greater than 25% of the trip. (Personal component: $2 \text{ days}/10 \text{ Days} = 20\%$).