



Tax Advantages for the Home-Based Travel Business

A home-based business is one of the greatest tax shelters left in America. As a home-based travel agent, you can convert your activities while traveling, such as golf, recreation, meals, entertainment, and other travel expenses, into legal tax deductions. You may be wondering how to take advantage of these deductions, or if you are not, you should be.

Now that I have gotten your interest, let me take a minute to introduce myself. My name is C. Stephen High, CPA, CMA. I have been a CPA working in public accounting with a concentration in small business taxation for 13 years. I have also worked extensively with businesses in the resort and travel industries over that same period of time. Now I have created a relationship with Pulaski Tickets & Tours, Inc. to provide you with relevant tax information regarding your home-based travel business.

Here are a few of the most common questions and answers regarding your new business.

1. Q. What can be done with the expenses associated with the purchase of the business? Specifically, can I deduct expenses with the affiliation of my Host Travel Agency, Pulaski Tickets & Tours, Inc.?

A. Yes, you can deduct the expenses that you incur with your initial independent contractor affiliation with Pulaski Tickets & Tours, Inc. This expenditure is a business start-up cost that may be expensed along with other similar start-up costs up to \$5,000.00. Any amount over \$5,000.00 is required to be amortized over a period of at least 180 months for tax purposes.

2. Q. Are my annual fees to maintain my associations with the agency deductible?

A. Yes. The fees that you are charged for maintaining your relationship with your Home Base Agency, Pulaski Tickets & Tours, Inc. as well as any other related memberships, such as Condominium Travel Club, Inc., are deductible in the year that you incur them, since they are considered ordinary and necessary expenses to continue your home-based travel business.

3. Q. Can I deduct travel I take to familiarize myself with travel products such as Cruises, Vacation Packages, Restaurants, Shows, etc.?

A. Yes. Documentation is a key component to this deduction. You can deduct the costs incurred to familiarize yourself with travel products if your intent is to gain knowledge about the products and to use that knowledge to better conduct your business. It is suggested that you keep a very thorough journal regarding "fam" trips. The "Critic's corner" of the Condominium Travel Club, Inc. website is a great place to start with your documentation.

4. Q. Can I convert other normally non-deductible personal assets and expenses into tax-deductible business assets and expenses?

A. Yes. As a home-based travel agent you can deduct home computers, fax machines, office furniture, telephone systems, etc. These assets are considered capital assets subject to depreciation requirements, but they are now deductible for tax purposes. Expenses for internet and telephone service, to name a few, are also deductible as a home-based travel agent, and if you have a home office used exclusively for your business, you may be able to deduct a portion of the costs of maintaining and running your home, such as utilities, insurance, maintenance, etc.

5. Q. How about allowances to my children by making them employees?

A. As a home-based travel agent, you can deduct as a business expense wages paid to your children who help you within your business. These wages must be paid in direct correlation to the services that your children provide to the business, but with the proper documentation, this can be achieved.

6. Q. Can my family's medical expenses be written off as a home-based travel agent?

A. Under the self-employed health insurance deduction, you may be able to deduct amounts paid for medical and dental insurance and qualified long-term care insurance for you and your family. This deduction may be limited based on the net profit of your home based business.

Before you take any of the above deductions, I want to suggest that you always get the professional advice of a CPA or tax preparer and have information available from the IRS to back up your assertions.

That being said, I am available if you need assistance with accounting or tax preparation associated with your new business. I am also in the process of developing a publication for home-based travel agents referencing documentation required by the IRS to guide you through the deductions described above, along with many more available deductions. The publication will be available for shipping on July 1, 2007. The initial cost of the publication will be \$49.95 plus shipping. If you are interested in the publication or any of our other accounting and tax services, you can contact me via e-mail at steve@highandassociates.com. I wish you a prosperous start in your new business venture.

Sincerely,

C. Stephen High

C. Stephen High, CPA, CMA
High and Associates, PC