

Two-Person Seminar

In *Jones*,¹ an officially reported case that produces precedent for all taxpayers, the Tax Court ruled that one-on-one training produces a seminar for tax purposes. Before this case, most tax professionals would not have assigned seminar status to one-on-one training.

The two-person seminar creates tax planning possibilities.

Example. Two dentists travel to Orlando to discuss and debate a patient treatment. The daily meetings last a little over four hours and qualify the days as business days.² The dentists designed the discussions to help each other provide superior dental care.

Using the *Jones* case as precedent, which it is, the daily meetings qualify as deductible out-of-town business education seminar days.

Let's move one of these meetings to St. Thomas in the Virgin Islands, add a few personal days, and see how these dentists benefit.

Two Big Rules That Apply to the St. Thomas Meeting

For this seminar meeting, St. Thomas is a tax-favored destination for two reasons:

Reason 1: It's a foreign destination. Tax law defines foreign travel as travel outside the 50 United States and the District of Columbia.³ St. Thomas is a foreign destination under this rule, even though it is part of the U.S. Virgin Islands, a U.S. territory.

Now for the rule that makes this destination great: if your travel to a foreign business destination is for one week or less, excluding the day of departure, you may deduct all costs of traveling to and from the foreign business destination (even if you work for only one day).⁴

Reason 2: It's also a North American destination. Foreign travel as described above is first outside the 50 United States and then either inside or outside the tax-defined North American area. St. Thomas qualifies as inside the North American area.⁵

You benefit from this rule because the law applies the "inside the United States ordinary and necessary business reason standard" to business travel in the North American area. Thus, the business reason for your trip to St. Thomas need be no greater than the business reason for your trip to Orlando, Florida.

Let's apply these rules to an actual trip.

Deducting the Trip to St. Thomas

Let's take this trip and examine its results on a day-by-day basis. Keep in mind that these are your results for a trip to a destination in the tax-defined North American area when we apply the foreign travel rules to the expenses and the U.S. rules to the business reasons for the trip. This needs a little decoding, we know, but it's worth the effort.

When a full day qualifies as a deductible travel day, you deduct breakfast, lunch, dinner, lodging, and other costs of sustaining life.⁶

Let's now send our two dentists to St. Thomas for their one-day seminar and see what happens tax-wise to each day:

- Day 1: travel to St. Thomas—deductible as a travel day
- Day 2: play on the beach—personal day, not deductible
- Day 3: play on the beach—personal day, not deductible
- Day 4: two-person seminar—deductible as a business day
- Day 5: travel home—deductible as a travel day

Trip summary. You are away from home four nights and five days. You deduct

- all travel costs of getting to and from St. Thomas;
- two nights lodging (days 1 and 4); and
- meals and costs of sustaining life for days 1, 4, and 5.

In dollar terms, you probably deduct close to 80 percent of the cost of this trip, thanks to the rules that apply to this less-than-one-week trip to a foreign destination inside the North American area.

What If?

Question. What happens if the two dentists add one day to their stay in St. Thomas and have a business meeting on the day after they arrive and the day before they leave?

Answer. We see that you are trying to create a sandwich of business days in the hope that the in-between beach days become business days. The sandwich rule does not work in this circumstance, because the dentists are in control of the meetings and all aspects of this trip. Thus, the addition of this one extra seminar day does nothing more than create an additional business day.

Sandwich plan. Say you are in St. Thomas and registered for two different educational events, one on Monday and one on Thursday. Let's also say it's more practical to stay in St. Thomas than to travel home and back for the Thursday seminar.

Now you have your sandwich of two personal days surrounded by business days, and the law grants you deductions for your breakfast, lunch, dinner, lodging, and other life-sustaining costs of travel on Tuesday and Wednesday even though you spend Tuesday and Wednesday at the beach.⁷ By creating the sandwich days, you made all the days of your trip deductible business days. Nice planning!

Takeaways

Tax knowledge is powerful stuff. In this article, you learned:

1. One-on-one training qualifies as a seminar.
2. Four hours and one minute of business activity makes a business day.
3. Travel for one day of business outside the 50 United States and District of Columbia on a trip for seven days or less makes the transportation costs 100 percent deductible.
4. St. Thomas is (a) outside the 50 states and (b) inside the North America area, making it a possible location for one-on-one training for a day that generates a full transportation deduction if the trip is for less than seven days, excluding the day of departure.

¹ [Carl H. Jones v Commr.](#), 131 T.C. No. 3.

² For details on business days, see [Supercharge Travel Deductions by Knowing the Business Day Rules](#).

³ [Reg. Section 1.274-4\(a\)](#).

⁴ [Reg. Section 1.274-4\(c\)](#).

⁵ [Rev. Rul. 2011-26](#).

⁶ [IRC Section 162\(a\)\(2\)](#) authorizes deductions for the ordinary and necessary costs of travel.

⁷ [Reg. Section 1.274-4\(d\)\(2\)\(v\)](#).