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How to Deduct Cruise Ship Conventions, Seminars, and Meetings

The IRS considers all ships that sail cruise ships.¹

In 1982, your lawmakers were attempting to give the U.S. cruise ship industry a leg up by outlawing all cruise ship conventions, seminars, and similar meetings other than those²

- that take place on a vessel registered in the United States,³ and
- where all ports of call of such vessel are located in the United States or in possessions of the United States.⁴

The 1982 law remains on the books. Lawmakers have not updated the limits for inflation. Here's the cruise ship convention tax code rule as it existed in 1982 and as it exists today:⁵

With respect to cruises beginning in any calendar year, not more than \$2,000 of the expenses attributable to an individual attending one or more meetings may be taken into account under Section 162 . . .”

Had the \$2,000 been indexed for inflation, the 2019 amount would be a reasonable \$5,431, and that would likely encourage more 2019 U.S. cruise ship convention-type travel.

But that \$2,000 is pretty skimpy (perhaps ridiculous) when you consider that the expenses include

- the cost of air or other travel to get to and from the cruise ship port;
- the cost of the cruise; and
- the cost of the convention, seminar, or similar meeting.

Hang Around, Because . . .

The \$2,000 ceiling may feel draconian, but hang in there with us, because later in this strategy article, we will show you how to

- avoid almost all dollar limits;
- suffer very few tax rules; and
- deduct all the costs you incur.

But first, let's examine the business tax deduction rules that apply to the convention, seminar, or similar meeting that's held on the cruise ship. Remember, the ship must sail under the U.S. flag, and it must make all its ports of call in the United States or its possessions.

The Law Requires You to Attach Signed Statements to Your Tax Return

If you are not discouraged by the \$2,000 limit or the ports-of-call requirement, consider this: You must attach to your tax return a written statement signed by you that includes information about the following:⁶

- Your total days on the cruise ship
- The hours each day you devoted to scheduled business activities
- The program of scheduled activities

Of course, your lawmakers do not want the IRS to believe your statement alone. In addition to your statement, you need to attach to your tax return a written statement, signed by an officer of the sponsoring organization or group, that includes the following:

- The daily schedule of business activities
- Your hours of attendance at the scheduled business activities

Finding a U.S. Cruise Ship

We have no idea why this is, but finding a list of U.S. flag ships is no easy task. We did it, though.

On June 7, 2019, we obtained a list from the Federal Maritime Commission of the U.S. flag ships that have berth or stateroom accommodations for 50 or more passengers and that embark at U.S. ports.

We enhanced the Federal Maritime Commission list to include the year the ship was built or refurbished, where the ship travels, and the URL where you can obtain more information. To access or download the list in PDF format, [click here](#).

What to Think/Do

Conceptually, you have to like the idea of building up the U.S. maritime passenger fleet. And you have to think that lawmakers had that in mind when they disallowed cruise ship convention deductions for all but U.S. registered vessels.

The fly in the ointment is the failure by lawmakers to index the \$2,000 limit for inflation.

If you think the U.S. passenger ship industry needs a boost, consider applying pressure on your members of Congress to increase the cruise ship convention deduction limit to something, say, north of \$6,000 indexed for inflation. To reach your lawmakers, click the links below:

- Senators: <https://www.senate.gov/senators/contact>
- Representatives: <https://www.house.gov/representatives>

Bigger, Better Deductions with Less Hassle

This is a way you can avoid the \$2,000 limit, take the cruise you want, and likely deduct all your costs. And this does not have to involve a U.S. ship. Any ship from any country works.

Here's the strategy. You take the cruise ship to a convention, seminar, or meeting that's held

- on land, say at a hotel, and
- in the tax-law-defined North American area.⁷

When you meet the two easy requirements above, you deduct (a) the full cost of getting to and from the location; (b) the full cost of the convention, seminar, or similar meeting; and (c) likely the full cost of the cruise if your onboard ship expenses are less than the following 2019 daily luxury water limits:

- \$940 from 1/1 to 3/31 and 12/1 to 12/31⁸
- \$696 from 4/1 to 4/30⁹
- \$692 from 5/1 to 5/31¹⁰
- \$798 from 6/1 to 9/30¹¹
- \$750 from 10/1 to 10/31¹²
- \$728 from 11/1 to 11/30¹³

Example. You live in Wausau, Wisconsin, and you attended a one-day sales seminar in Jamaica on February 12, 2019. You traveled by air from Wausau to Miami on February 4 and stayed in Miami that evening.

On February 5, you began your \$3,100 cruise to Jamaica in a nice cabin with views, arriving on February 11. You stayed overnight at the seminar site, attended the seminar on the 12th, stayed overnight, and then flew to Miami on the 13. On the 14th, you returned to Wausau.

Your incurred \$6,500 in expenses for this one-day seminar attendance, and every dollar is deductible although the money for meals is only 50 percent deductible. You had no meal costs on the cruise ship, as they were included in the price and not broken out separately.

Compare this to the hassle of deducting only \$2,000 under the U.S. rules. And you could not travel to Jamaica under the U.S. rules (although there's nothing wrong with St. Thomas in the U.S. Virgin Islands, but still there's that puny dollar limit and onerous extra paperwork).

Takeaways

The sad note here is that lawmakers never followed up on their original 1982 tax code purpose to help improve the U.S. cruise ship industry.

You can find some tax-deductible cruise ship conventions, seminars, and similar meetings on U.S. flag ships. But we think it's likely that a very limited number of such events will produce for you the tax-deduction results you're looking for.

The good news is that the tax code offers you a great workaround with a convention, seminar, or similar meeting that's held on land somewhere in the tax-law-defined North American area. That's what happened with our example of the sales seminar in Jamaica.

With the meeting on land in the tax-law-defined North American area, you deducted \$6,500 and did not suffer

- the \$2,000 limit,
- the excessive paperwork requirements, or
- the limited possibilities imposed on the U.S. cruise ship.

[Client Letter on This Article for Use by Tax Pros. Click Here.](#)

1 IRS Publication 463, Travel, Gift, and Car Expenses (2018), Dated Feb. 22, 2019, p. 9.

2 P.L. 97-424, Section 543.

3 IRC Section 274(h)(2)(A) 2018.

4 IRC Section 274(h)(2)(B) 2018.

5 IRC Section 274(h) 2018.

6 IRC Section 274(h)(5)(A) 2018.

7 IRS Publication 463, Travel, Gift, and Car Expenses (2018), Dated Feb. 22, 2019, p. 9.

8 U.S. General Services Administration (GSA) Per Diem Rates for Fiscal 2019; \$470 (per diem for Aspen, Colo.) x 2.

9 Ibid.; \$363 (per diem for Key West, Fla.) x 2.

10 Ibid.; \$346 (per diem for San Francisco, Calif.) x 2.

11 Ibid.; \$399 (per diem for Martha's Vineyard, Mass.) x 2.

12 Ibid.; \$375 (per diem for San Francisco, Calif.) x 2.

13 Ibid.; \$364 (per diem for New York, N.Y.) x 2.
