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Revenue Ruling 94-56

[NOTE: This Rev Rul has been superseded by Rev Rul 2003-109, 2003-42 IRB 839.]

Conventions and seminars-North American area.

Section 274(h) of the Internal Revenue Code limits deductions for expenses incurred in connection with a convention, seminar, or similar meeting held outside the "North American area." This revenue ruling contains an updated list of all areas currently included in the North American area for purposes of this section.

Section 274(h) disallows deductions under section 162 for expenses allocable to the attendance of any individual at a convention, seminar, or similar meeting held outside the "North American area." However, the disallowance does not apply if the taxpayer can demonstrate that the convention's location satisfies specified standards of reasonableness.

Section 274(h)(3)(A), as supplemented by the Compact of Free Association Act of 1985, Pub. L. No 99-239, 99 Stat. 1770 (1986), defines the term "North American area". Rev. Rul. 87-95, 1987-2 C.B. 79, identifies the following areas as part of the North American area for this purpose, each of which, to date, continues to be so considered:

1. The 50 states of the United States and the District of Columbia;
2. The possessions of the United States, which for this purpose are American Samoa, Baker Island, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, Howland Island, Jarvis Island, Johnston Island, Kingman Reef, the Midway Islands, Palmyra, the United States Virgin Islands, Wake Island, and other United States islands, cays, and reefs not part of any of the 50 states or the District of Columbia;
3. Canada;
4. Mexico;
5. The Trust Territory of the Pacific Islands (that is, Palau);
6. The Republic of the Marshall Islands; and
7. The Federated States of Micronesia.

Section 274(h)(6) provides that the term "North American area" also includes any "beneficiary country" if (as of the time a convention begins), (1) there is in effect an agreement described in section 274(h)(6)(C) providing for the exchange of tax information between the United States and the beneficiary country, and (2) there is not in effect a finding by the Secretary of the Treasury that the tax laws of the beneficiary country discriminate against conventions held in the United States.

Section 274(h)(6)(B) defines a beneficiary country as either (1) a beneficiary country as defined in section 212(a)(1)(A) of the Caribbean Basin Economic Recovery Act, 1983-2 C.B. 352, 360 ("CBERA"), or (2) Bermuda.

Rev. Rul. 87-95 identifies the following three beneficiary countries, each of which, to date, continues to be considered as part of the North American area under section 274(h)(6):

1. Barbados (for expenses incurred in attending a convention that began after November 2, 1984);
2. Grenada (for expenses incurred in attending a convention that began after July 12, 1987); and
3. Jamaica (for expenses incurred in attending a convention that began after December 17, 1986).

Since the publication of Rev. Rul. 87-95, the following bilateral agreements for the exchange of tax information have been concluded with beneficiary countries, allowing such jurisdictions to be considered as part of the North American area under section 274(h)(6):

1. Agreement between the United States and Dominica for the Exchange of Information with Respect to Taxes, signed on October 1, 1987, and entered into force on May 8, 1988, Treas. News Release B-1414 (May 18, 1988);
2. Agreement between the United States and the United Kingdom (on behalf of the Government of Bermuda) for the Exchange of Information with Respect to Taxes, signed and entered into force on December 2, 1988, 1989-1 C.B. 340;
3. Agreement for the Exchange of Information with Respect to Taxes between the United States and the Dominican Republic, signed on August 7, 1989, and entered into force on October 12, 1989, 1989-2 C.B. 329;
4. Agreement between the United States and Trinidad and Tobago for the Exchange of Information with Respect to Taxes, signed on January 11, 1989, and entered into force on February 9, 1990, Treas. News Release NB-684 (Feb. 26, 1990);
5. Agreement between the United States and Costa Rica for the Exchange of Information with Respect to Taxes, signed on March 15, 1989, and entered into force on February 12, 1991, 1991-1 C.B. 296;
6. Agreement between the United States and Saint Lucia for the Exchange of Information with Respect to Taxes, signed on January 30, 1987, and entered into force on April 22, 1991, 1991-1 C.B. 301;
7. Agreement between the United States and Honduras for the Exchange of Information with Respect to Taxes, signed on September 27, 1990, and entered into force on October 11, 1991, 1991-2 C.B. 479; and
8. Agreement between the United States and Guyana, signed on July 22, 1992, and entered into force on August 27, 1992, Treas. News Release NB-2088 Rev. (Dec. 4, 1992).

Accordingly, each of the foregoing eight countries are included within the North American area as of the respective dates of entry into force of the agreements for exchange of tax information with the United States.

For purposes of claiming deductions for expenses incurred in connection with a convention, seminar or similar meeting, the following areas are included in the "North American area" as of the effective date of section 274(h) except as otherwise indicated:

1. The 50 states of the United States and the District of Columbia;
2. The possessions of the United States, which for this purpose are American Samoa, Baker Island, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, Howland Island, Jarvis Island, Johnston Island, Kingman Reef, the Midway Islands, Palmyra, the United States Virgin Islands, Wake Island, and other United States islands, cays, and reefs not part of any of the fifty states or the District of Columbia;
3. Canada;
4. Mexico;
5. The Trust Territory of the Pacific Islands (that is, Palau);
6. The Republic of the Marshall Islands;
7. The Federated States of Micronesia;

For expenses incurred in attending a convention that

Country	Began After
8. Barbados	November 2, 1984
9. Bermuda	December 1, 1988
10. Costa Rica	February 11, 1991
11. Dominica	May 7, 1988
12. Dominican Republic	October 11, 1989
13. Grenada	July 12, 1987
14. Guyana	August 26, 1992
15. Honduras	October 10, 1991
16. Jamaica	December 17, 1986
17. Saint Lucia	April 21, 1991
18. Trinidad and Tobago	February 8, 1990

This revenue ruling will be updated as future events cause other jurisdictions to become included in, or excluded from, the North American area.