

MAKING YOUR MISSION TRIPS DEDUCTIBLE

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In the early part of the year, many churches start planning mission trips for adults and teenagers. Sometimes a church choir will tour domestically or abroad. Youth groups will build a church in a foreign land. Most participants are volunteers performing volunteer services for the benefit of the church. Since many of them pay for the trip themselves, they want to be able to deduct that payment as a charitable contribution. This article will outline the ways to make the mission trip expenses a charitable contribution.

Recently, the Tax Court examined an individual who went on a choir trip to England and deducted all of his travel expenses related to the choir trip. *Field v. Commissioner*, Tax Court Summary Opinion 2005-184. After telling you the rules, I will apply those rules to Mr. Field's expenses.

REQUIREMENTS

Expenses incidental to the rendering of volunteer services to a charitable organization may constitute a deductible contribution. Treas. Reg. Section 1.170A-1(g). Allowable volunteer expense deductions include transportation expenses and reasonable expenses for meals and lodging necessarily incurred while away from home.

Internal Revenue Code Section 170(j) prohibits a charitable contribution deduction for travel expenses incurred related to the rendering of volunteer services to a charitable organization, "unless there is no significant element of personal pleasure, recreation, or vacation in such travel." In determining whether travel away from home involves a significant element of personal pleasure, recreation, or vacation, the fact that a taxpayer enjoys providing services to the charitable organization will not lead to denial of the deduction. A taxpayer who only has nominal duties relating to the performance of services for the charity, or who for significant portions of the trip is not required to render services, is not allowed any deduction for travel costs. In passing Section 170(j), Congress was concerned with the extent and duration of volunteer services on behalf of the charitable organization and not some quantum measurement of the pleasure derived by the taxpayer.

To prove the extent and duration of volunteer services, the taxpayer should keep an hour by hour itinerary of the entire trip. The itinerary should separate those times when the volunteer is on duty for the charitable organization from those times when the volunteer is free to choose his or her activities. The taxpayer should retain detailed documentation and photos to support the itinerary.

The volunteer activities should not include receiving education or religious services, but may include the rendering of charitable or religious services to others.

MR. FIELD'S CASE

In Mr. Field's case, the choir trip lasted eight days. Over the eight days, he was required to attend practices or performances for approximately 25 hours during four of those days. As a convenience to choir members, the schedule allowed for scheduled or independent sightseeing tours on all eight days. Scheduled sightseeing tours were available on four of the eight days. The blocks of time set aside for independent or scheduled sightseeing tours equaled 37 hours. Mr. Field testified that he did not take advantage of any scheduled or independent sightseeing that was available. He solely rendered volunteer services during the eight days.

Since more time was available for sightseeing than for volunteer services, the choir trip contained a significant element of personal pleasure, recreation, or vacation. As a result, the court disallowed the entire deduction.

PLANNING OPPORTUNITIES

As the church plans its mission trips, it should pay close attention to the itinerary on an hour by hour basis. The church may allow for some limited sightseeing and personal time, but the primary purpose of the trip must be to render charitable or religious services to others. Most of the time must be devoted to volunteer work.

Some commentators have used the foreign business travel rules as an analogy with the charitable deduction rules. I will discuss those rules so you can see how they might apply to a mission trip.

Internal Revenue Service rules prohibit the deduction of travel expenses that may appear to be a vacation. (Does this sound familiar?) To assure that businesses are not deducting vacations as business trips, the IRS has developed rules that define business trips. Initially, you must differentiate between business days and personal days. It is a business day if: (1) you are traveling, (2) your presence was required for a business meeting, (3) you conducted significant business, and (4) qualifying weekends and holidays. To conduct significant business on a day, you must spend the majority of the working hours actively conducting business. You may count weekends and holidays if you are required to conduct business both the day before and the day after the weekend or holiday. For example, you may not count as business days the weekend if you conduct business on Friday and do not have business the following Monday. All days that do not count as business days, are counted as personal days.

You may not deduct any expenses related to personal days. For the personal days, meals, transportation, or lodging, are not business expenses. To determine the appropriate expense for business transportation, you must prorate your transportation costs by the ratio of business days to total traveled days. For example, the airfare was \$1000 to transport you to the foreign land. If eight of the days qualified as business days, only \$800 of the airfare would qualify as a business expense. If six of the days are

personal (more than 50% of the total days), then none of the expenses qualify as business expenses.

SUMMARY

Churches should plan their mission trips to meet both the charitable rules and the business travel rules. The trip should schedule volunteers to work the vast majority of the days. The work should take up the majority of the work day. The church should prepare a detailed itinerary of each day's planned activities. If you meet the requirements of the foreign business travel rules when traveling as a charitable volunteer, I believe you are more likely to succeed in deducting the volunteer expenses related to that mission trip. If the trip is all volunteer work and little or no play time, I am confident that the expenses will be deductible as a charitable contribution.