



Department of the Treasury
Internal Revenue Service

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Moving Expenses

For use in preparing
2000 Returns



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Contents

Important Changes	1
Important Reminder	1
Introduction	2
Who Can Deduct Moving Expenses	2
Related to Start of Work	2
Distance Test	2
Time Test	3
Members of the Armed Forces	5
Retirees or Survivors Who Move to the United States	5
Deductible Moving Expenses	6
Moves Within or to the United States	7
Moves Outside the United States	7
Nondeductible Expenses	8
Tax Withholding and Estimated Tax	8
How To Report	9
Reimbursements	9
When To Deduct Expenses	11
Example	13
How To Get Tax Help	15

Important Changes

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling **1-800-THE-LOST (1-800-843-5678)** if you recognize a child.

Paid preparer authorization. Beginning with your return for 2000, you can check a box and authorize the IRS to discuss your tax return with the paid preparer who signed it. If you check the "Yes" box in the signature area of your return, the IRS can call your paid preparer to answer any questions that may arise during the processing of your return. Also, you are authorizing your paid preparer to perform certain actions. See your income tax package for details.

Important Reminder

Change of address. If you change your mailing address, be sure to notify the IRS using Form 8822, *Change of Address*. Mail it to the Internal Revenue Service Center for your old address. Addresses for the Service Centers are on the back of the form.

Introduction

This publication explains the deduction of certain expenses of moving to a new home because you changed job locations or started a new job. This explanation includes the following topics.

- Who can deduct moving expenses.
- What moving expenses are deductible.
- What moving expenses are not deductible.
- Tax withholding and estimated tax.
- How to report your moving expenses.

A filled-in illustration of an example is also shown near the end of the publication.

You may qualify for the deduction whether you are self-employed or an employee. The expenses must be related to starting work at your new job location. However, certain retirees and survivors may qualify to claim the deduction even if they are not starting work at a new job location. See *Who Can Deduct Moving Expenses*.

Home defined. Your **home** means your main home (residence). It can be a house, apartment, condominium, houseboat, house trailer, or similar dwelling. It does not include other homes owned or kept up by you or members of your family. It also does not include a seasonal home, such as a summer beach cottage. Your **former home** means your home before you left for your new job location. Your **new home** means your home within the area of your new job location.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can e-mail us while visiting our web site at www.irs.gov/help/email2.html.

You can write to us at the following address:

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We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Useful Items

You may want to see:

Publication

- 523** Selling Your Home

Form (and Instructions)

- 3903** Moving Expenses
 8822 Change of Address

See *How To Get Tax Help*, near the end of this publication, for information about getting the publication and the forms listed.

Who Can Deduct Moving Expenses

You can deduct your allowable moving expenses if your move is closely related to the start of work. You also must meet the distance test and the time test. These two tests are discussed later.

Retirees or survivors. You may be able to deduct the expenses of moving to the United States or its possessions even if the move is not related to a new job. You must have worked outside the United States or be a survivor of someone who did. See *Retirees or Survivors Who Move to the United States*, later.

Related to Start of Work

Your move must be closely related, both in time and in place, to the start of work at your new job location.

Closely related in time. You can generally consider moving expenses incurred within one year from the date you first reported to work at the new location as closely related in time to the start of work. It is not necessary that you arrange to work before moving to a new location, as long as you actually do go to work.

If you do not move within one year of the date you begin work, you ordinarily cannot deduct the expenses unless you can show that circumstances existed that prevented the move within that time.

Example. Your family moved more than a year after you started work at a new location. You delayed the move for 18 months to allow your child to complete high school. You can deduct your allowable moving expenses.

Closely related in place. You can generally consider your move closely related in place to the start of work if the distance from your new home to the new job location is not more than the distance from your former home to the new job location. A move that does not meet this requirement may qualify if you can show that:

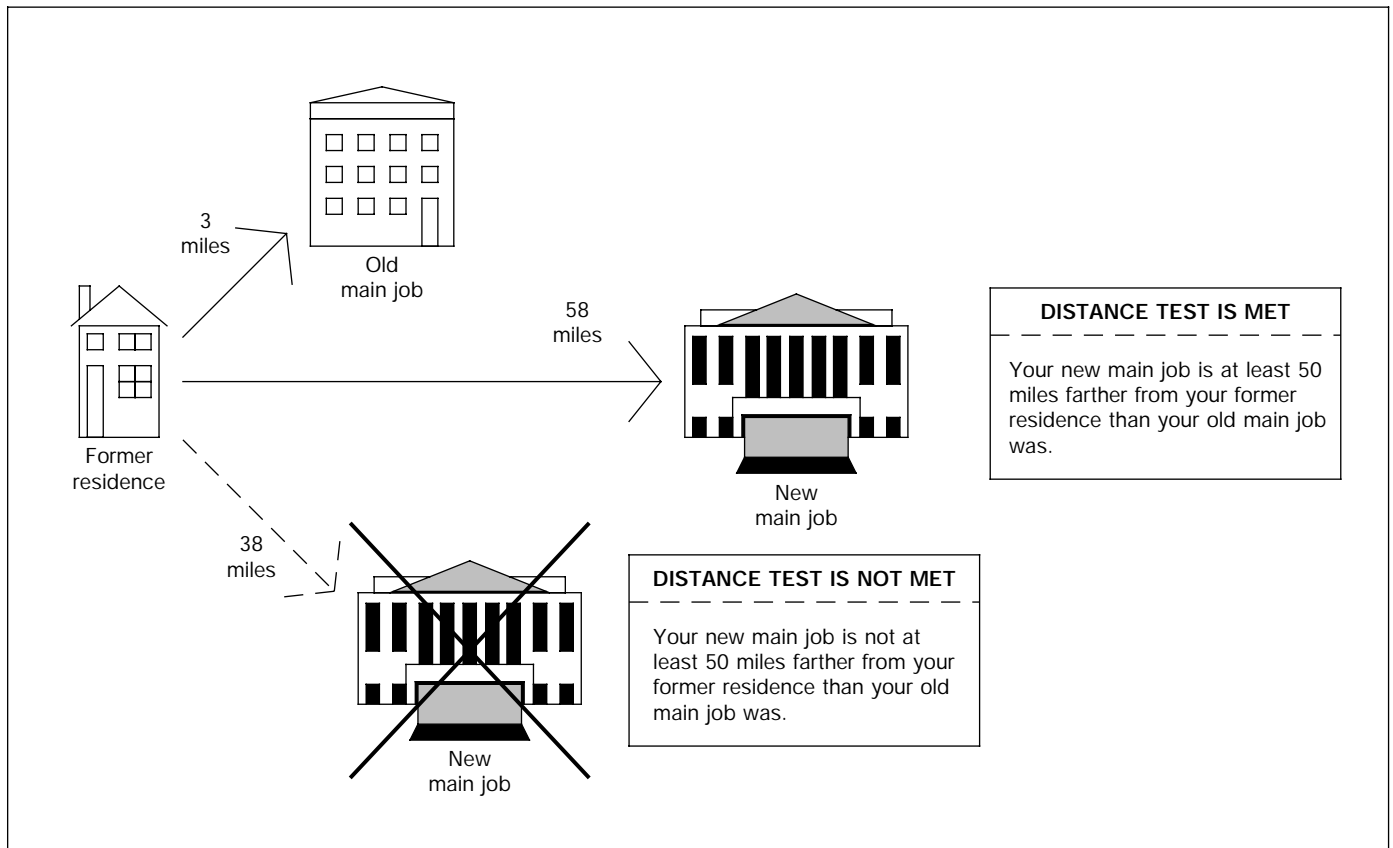
- 1) You are required to live at that home as a condition of your employment, or
- 2) You will spend less time or money commuting from your new home to your new job.

Distance Test

Your move will meet the distance test if your new main job location is **at least 50 miles** farther from your former home than your old main job location was from your former home. For example, if your old main job was 3 miles from your former home, your new main job must be at least 53 miles from that former home.

The distance between a job location and your home is the shortest of the more commonly traveled routes

Figure A. Illustration of Distance Test



between them. The distance test considers only the location of your former home. It does not take into account the location of your new home. See *Figure A*.

Example. You moved to a new home less than 50 miles from your former home because you changed main job locations. Your old main job was 3 miles from your former home. Your new main job is 60 miles from that home. Because your new main job is 57 miles farther from your former home than the distance from your former home to your old main job, you meet the 50-mile distance test.

First job or return to full-time work. If you go to work full time for the first time, your place of work must be at least 50 miles from your former home to meet the distance test. If you go back to full-time work after a substantial period of part-time work or unemployment, your place of work also must be at least 50 miles from your former home.

TIP **Exception for Armed Forces.** *If you are in the Armed Forces and you moved because of a permanent change of station, you do not have to meet the distance test. See Members of the Armed Forces, later.*

Main job location. Your main job location is usually the place where you spend most of your working time. A new job location is a new place where you will work permanently or indefinitely rather than temporarily. If there is no one place where you spend most of your working time, your main job location is the place where

your work is centered, such as where you report for work or are otherwise required to “base” your work.

Union members. If you work for several employers on a short-term basis and you get work under a union hall system (such as a construction or building trades worker), your main job location is the union hall.

More than one job. If you have more than one job at anytime, your main job location depends on the facts in each case. The more important factors to be considered are:

- The total time you spend at each place,
- The amount of work you do at each place, and
- How much money you earn at each place.

Time Test

To deduct your moving expenses, you also must meet one of the following time tests. See *Table 1*.

Time test for employees. If you are an employee, you must work full time for at least **39 weeks during the first 12 months** after you arrive in the general area of your new job location. For this time test, count only your full-time work as an employee; do not count any work you do as a self-employed person. You do not have to work for the same employer for the 39 weeks. You do not have to work 39 weeks in a row. However, you must work full time within the same general commuting area. Full-time employment depends on what is usual for your type of work in your area.

Temporary absence from work. You are considered to be a full-time employee during any week you are temporarily absent from work because of illness,

strikes, lockouts, layoffs, natural disasters, or similar causes. You are also considered a full-time employee during any week you are absent from work for leave or vacation provided for in your work contract or agreement.

Seasonal work. If your work is seasonal, you are considered to be working full time during the off season only if your work contract or agreement covers an off-season period and that period is less than 6 months. For example, a school teacher on a 12-month contract who teaches on a full-time basis for more than 6 months is considered a full-time employee for the entire 12 months.

Time test for self-employed persons. If you are self-employed, you must work full time for at least **39 weeks during the first 12 months AND** for a total of at least **78 weeks during the first 24 months** after you arrive in your new job location. For this time test, count any full-time work you do as an employee or as a self-employed person. You do not have to work for the same employer or be self-employed in the same trade or business for the 78 weeks, but you do have to work in the same general commuting area.

Self-employment. You are self-employed if you work as the sole owner of an unincorporated business or as a partner in a partnership carrying on a business. You are not considered self-employed if you are semiretired, are a part-time student, or work only a few hours each week.

Full-time work. You can only count those weeks you work full time as a week of work. Whether you work full time during any week depends on what is usual for your type of work in your area. For example, you are a self-employed dentist and maintain office hours 4 days a week. You are considered to perform services full time if maintaining office hours 4 days a week is not unusual for other self-employed dentists in the area.

Temporary absence from work. You are considered to be self-employed on a full-time basis during any week you are temporarily absent from work because of illness, strikes, natural disasters, or similar causes.

Seasonal trade or business. If your trade or business is seasonal, the off-season weeks when no work is required or available may be counted as weeks of performing services full time. The off season must be less than 6 months and you must work full time before and after the off season.

For example, you own and operate a motel at a beach resort. You are considered self-employed on a full-time basis during the weeks of the off season if the motel is closed for less than 6 months and you work as a full-time operator of the motel before and after the off season.

TIP **Joint return.** If you are married and file a joint return and both you and your spouse work full time, either of you can satisfy the full-time work test. However, you cannot combine the weeks your spouse worked with the weeks you worked to satisfy that test.

Table 1. **Satisfying the Time Test for Employees and Self-employed Persons**

IF you are...	THEN you satisfy the time test by meeting...
An employee and become self-employed before satisfying the 39-week test for employees	The 78-week test for self-employed persons.
Self-employed and become an employee before satisfying the 78-week test for self-employed persons	The 39-week test for employees, or using the time spent as a full-time employee to satisfy the 78-week test.
Both self-employed and an employee at the same time	The 78-week test for a self-employed person or the 39-week test for an employee based on your principal place of work.

Time test not yet met. You can deduct your moving expenses on your 2000 tax return even if you have not yet met the time test by the date your 2000 return is due. You can do this if you expect to meet the 39-week test in 2001, or the 78-week test in 2001 or 2002. If you deduct moving expenses but do not meet the time test by 2001 or 2002, you must either:

- 1) Report your moving expense deduction as other income on your Form 1040 for the year you cannot meet the test, or
- 2) Amend your 2000 return.

Use Form 1040X, *Amended U.S. Individual Income Tax Return*, to amend your return.

If you do not deduct your moving expenses on your 2000 return, and you later meet the time test, you can file an amended return for 2000 to take the deduction.

Example. You arrive in the general area of your new job on September 15, 2000. You deduct your moving expenses on your 2000 return, the year of the move, even though you have not yet met the time test by the date your return is due. If you do not meet the 39-week test by September 15, 2001, you must either:

- 1) Report as income on your 2001 return the amount you deducted as moving expenses on your 2000 return, or
- 2) Amend your 2000 return.

Exceptions to the time test. You do not have to meet the time test if one of the following applies.

- 1) You are in the Armed Forces and you moved because of a permanent change of station. See *Members of the Armed Forces*, later.
- 2) You moved to the United States because you retired. See *Retirees or Survivors Who Move to the United States*, later.

- 3) You are the survivor of a person whose main job location at the time of death was outside the United States. See *Retirees or Survivors Who Move to the United States*, later.
- 4) Your job at the new location ends because of death or disability.
- 5) You are transferred for your employer's benefit or laid off for a reason other than willful misconduct. For this exception, you must have obtained full-time employment, and you must have expected to meet the test at the time you started the job.

Members of the Armed Forces

If you are a member of the Armed Forces on active duty and you move because of a permanent change of station, you do not have to meet the **distance and time tests**, discussed earlier. You can deduct your unreimbursed allowable moving expenses.

A permanent change of station includes:

- 1) A move from your home to the first post of active duty,
- 2) A move from one permanent post of duty to another, and
- 3) A move from your last post of duty to your home or to a nearer point in the United States. The move must occur within one year of ending your active duty or within the period allowed under the Joint Travel Regulations.

Spouse and dependents. If a member of the Armed Forces dies, is imprisoned, or deserts, a permanent change of station for the spouse or dependent includes a move to:

- The place of enlistment,
- The member's, spouse's, or dependent's home of record, or
- A nearer point in the United States.

If the military moves you and your spouse and dependents to or from separate locations, the moves are treated as a single move to your new main job location.

Services or reimbursements provided by government. Do not include in income the value of moving and storage services provided by the government because of a permanent change of station. In general, if the total reimbursements or allowances you receive from the government because of the move are more than your actual moving expenses, the government should include the excess in your wages on Form W-2. However, the excess portion of a dislocation allowance, a temporary lodging allowance, a temporary lodging expense, or a move-in housing allowance is not included in income.

If your reimbursements or allowances are less than your actual moving expenses, do not include the reimbursements or allowances in income. You can deduct the expenses that exceed your reimbursements. See *Deductible Moving Expenses*, later.

How to complete Form 3903 for members of the Armed Forces. Take the following steps.

- 1) Complete lines 1 and 2, using your actual expenses. **Do not** include any expenses for moving services provided by the government. Also do not include any expenses which were reimbursed by an allowance excluded from income.
- 2) Enter on line 4 the total reimbursements and allowances you received from the government for the expenses claimed on lines 1 and 2. **Do not** include the value of moving services provided by the government. Also do not include any part of a dislocation allowance, a temporary lodging allowance, a temporary lodging expense, or a move-in housing allowance.
- 3) Complete line 5. If line 3 is more than line 4, subtract line 4 from line 3 and enter the result on line 5 and on Form 1040, line 26. This is your moving expense deduction. If line 3 is equal to or less than line 4, enter zero on line 5 (you do not have a moving expense deduction). Subtract line 3 from line 4 and, if the result is more than zero, enter it on Form 1040, line 7.

If the military moves you and your spouse and dependents to or from different locations, treat these moves as a single move.



Do not deduct any expenses for moving services provided by the government.

Retirees or Survivors Who Move to the United States

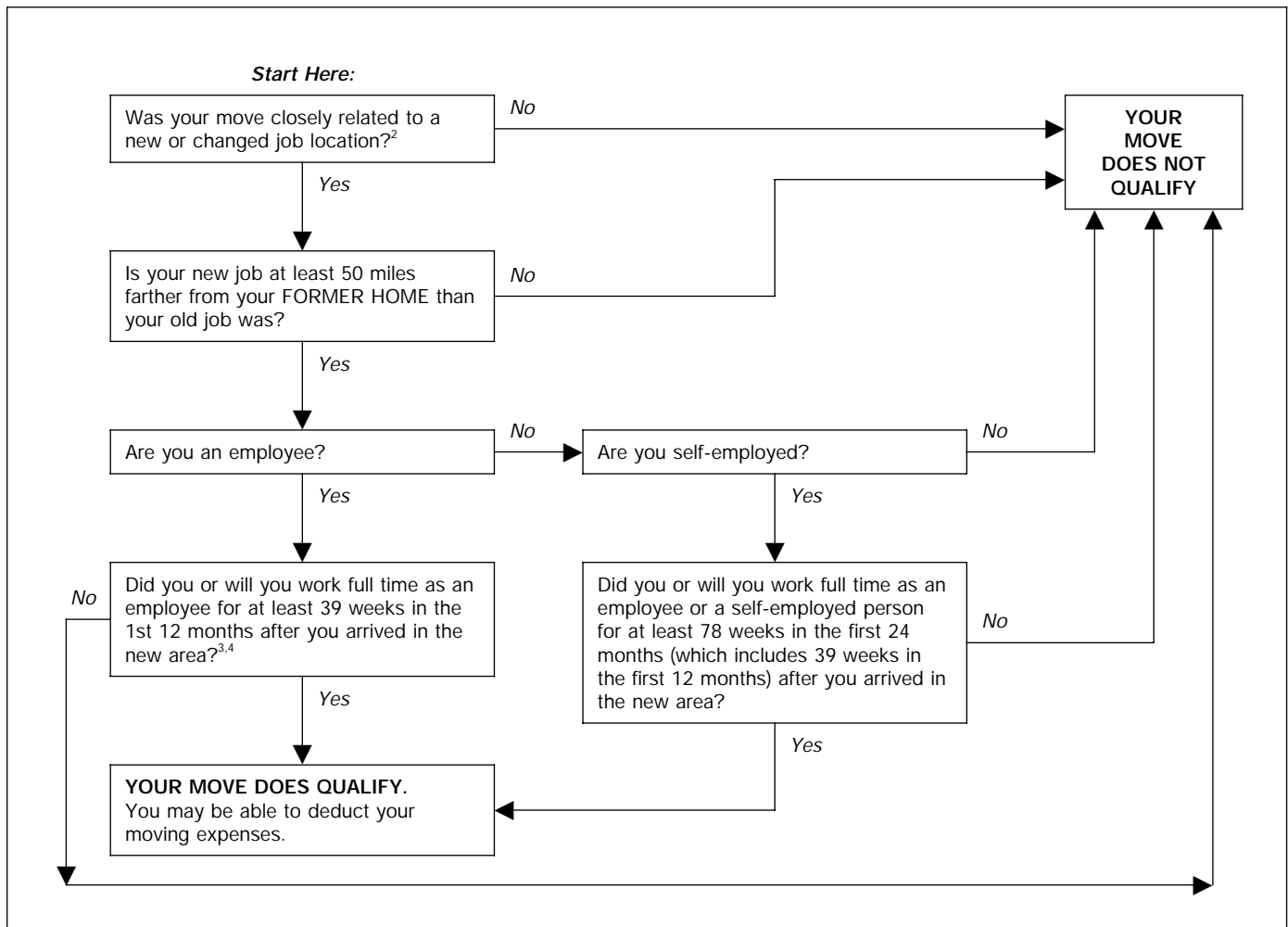
You can deduct your allowable moving expenses if you move to the United States or to a possession of the United States. You do not have to meet the **time test**, discussed earlier, but you must meet the requirements discussed below.

Retirees who were working abroad. You can deduct moving expenses for a move to a new home in the United States when you permanently retire. However, both your former main job location and your former home must have been outside the United States.

Permanently retired. You are considered permanently retired when you cease gainful full-time employment or self-employment. If, at the time you retire, you intend your retirement to be permanent, you will be considered retired even though you later return to work. Your intention to retire permanently may be determined by:

- 1) Your age and health,
- 2) The customary retirement age for people who do similar work,
- 3) Whether you receive retirement payments from a pension or retirement fund, and
- 4) The length of time before you return to full-time work.

Figure B. **Qualifying Moves Within the United States (Non-Military)**¹



¹ Military persons should see *Members of the Armed Forces* for special rules that apply to them.

² Your move must be closely related to the start of work at your new job location. See *Related to Start of Work*.

³ If you deduct expenses and do not meet this test later, you must either file an amended tax return or report your moving expense deduction as other income. See *Time test not yet met*.

⁴ If you became self-employed during the first twelve months, answer YES if your combined time as a full-time employee and self-employed person equals or will equal at least 78 weeks in the first 24 months (including 39 weeks in the first 12 months) after you arrived in the new area.

Survivors of decedents who were working abroad.

You can deduct moving expenses for a move to a home in the United States if you are the spouse or the dependent of a person whose main job location at the time of death was outside the United States. The move must begin within 6 months after the decedent's death. It must be from the decedent's former home outside the United States. That home must also have been your home.

When a move begins. A move begins when one of the following events occurs.

- 1) You contract for your household goods and personal effects to be moved to your home in the United States, but only if the move is completed within a reasonable time.
- 2) Your household goods and personal effects are packed and on the way to your home in the United States.
- 3) You leave your former home to travel to your new home in the United States.

Deductible Moving Expenses

If you meet the requirements discussed earlier, you can deduct the reasonable expenses of:

- 1) Moving your household goods and personal effects (including in-transit or foreign-move storage expenses), and
- 2) Traveling (including lodging but not meals) to your new home.



You cannot deduct any expenses for meals.

Reasonable expenses. You can deduct only those expenses that are reasonable for the circumstances of your move. For example, the cost of traveling from your former home to your new one should be by the shortest, most direct route available by conventional transportation. If during your trip to your new home, you stop over,

or make side trips for sight-seeing, the additional expenses for your stopover or side trips are not deductible as moving expenses.

Travel by car. If you use your car to take yourself, members of your household, or your personal effects to your new home, you can figure your expenses by deducting either:

- 1) Your **actual expenses**, such as gas and oil for your car, if you keep an accurate record of each expense, or
- 2) **10 cents a mile.**

When using the standard mileage rate of 10 cents a mile, you can also deduct parking fees and tolls you pay in moving. You cannot deduct any part of general repairs, general maintenance, insurance, or depreciation for your car.

Member of your household. You can deduct moving expenses you pay for yourself and members of your household. A member of your household is anyone who has both your former and new home as his or her home. It does not include a tenant or employee, unless you can claim that person as a dependent.

Location of move. There are different rules for moving within or to the United States than for moving outside the United States. These rules are discussed separately, next.

Moves Within or to the United States

If you meet the requirements under *Who Can Deduct Moving Expenses*, earlier, you can deduct allowable expenses for a move to the area of a new main job location within the United States or its possessions. Your move may be from one United States location to another or from a foreign country to the United States.

Form 3903. Use Form 3903 to deduct your moving expenses. An example of a filled-in Form 3903 is shown later. A separate Form 3903 must be completed for each move.

Household goods and personal effects. You can deduct the cost of packing, crating, and transporting your household goods and personal effects and those of the members of your household from your former home to your new home. If you use your own car to move your things, see *Travel by car*, earlier. You can include the cost of storing and insuring household goods and personal effects within **any period of 30 consecutive days** after the day your things are moved from your former home and before they are delivered to your new home.

You can deduct any costs of connecting or disconnecting utilities required because you are moving your household goods, appliances, or personal effects.

You can deduct the cost of shipping your car and your household pets to your new home.

You can deduct the cost of moving your household goods and personal effects from a place other than your

former home. Your deduction is limited to the amount it would have cost to move them from your former home.

Example. Paul Brown is a resident of North Carolina and has been working there for the last 4 years. Because of the small size of his apartment, he stored some of his furniture in Georgia with his parents. Paul got a job in Washington, DC. It cost him \$300 to move his furniture from North Carolina to Washington and \$1,100 to move his furniture from Georgia to Washington. If Paul shipped his furniture in Georgia from North Carolina (his former home), it would have cost \$600. He can deduct only \$600 of the \$1,100 he paid. The amount he can deduct for moving his furniture is \$900 (\$300 + \$600).



You cannot deduct the cost of moving furniture you buy on the way to your new home.

Travel expenses. You can deduct the cost of transportation and lodging for yourself and members of your household while traveling from your former home to your new home. This includes expenses for the day you arrive. You can include any lodging expenses you had in the area of your former home within one day after you could not live in your former home because your furniture had been moved. You can deduct expenses for only one trip to your new home for yourself and members of your household. However, all of you do not have to travel together or at the same time. If you use your own car, see *Travel by car*, earlier.

Moves Outside the United States

To deduct allowable expenses for a move outside the United States, you must be a United States citizen or resident alien who moves to the area of a new place of work outside the United States or its possessions. You must meet the requirements under *Who Can Deduct Moving Expenses*, earlier.

Form 3903. Use Form 3903 if you moved outside the United States or its possessions. A filled-in Form 3903 is shown later. A separate Form 3903 must be completed for each move.

For an explanation of expenses that you can deduct, see the discussion *Moves Within or to the United States*, earlier. The following discussion gives additional information on expenses that you can deduct on Form 3903.

Storage expenses. You can deduct the reasonable expenses of moving your personal effects to and from storage. You can also deduct the reasonable expenses of storing your personal effects for all or part of the time the new job location remains your main job location. The new job location must be outside the United States.


You do not have to complete Form 3903 if all of the following apply.

- 1) You moved in an earlier year.
- 2) You are claiming only storage fees while you are away from the United States.

- 3) Any amount your employer paid for the storage fees is included as wages in box 1 of your Form W-2.

Instead, enter the storage fees (after the reduction for the part that is allocable to excluded income) on line 26, Form 1040, and write "Storage" next to the amount.

Moving expenses allocable to excluded foreign income. If you live and work outside the United States, you may be able to exclude from income part or all of the income you earn in the foreign country. You may also be able to claim a foreign housing exclusion or deduction. If you claim the foreign earned income or foreign housing exclusions, you cannot deduct the part of your allowable moving expenses that relates to the excluded income.

 *Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, discusses the foreign earned income exclusion, the foreign housing exclusion, and the foreign housing deduction. It also explains how to figure the part of your moving expenses that relates to excluded income. You can get the publication from most United States Embassies and consulates, or see How To Get Tax Help at the end of this publication.*


Nondeductible Expenses

You cannot deduct the following items as moving expenses.

- Any part of the purchase price of your new home.
- Car tags.
- Driver's license.
- Expenses of buying or selling a home.
- Expenses of getting or breaking a lease.
- Home improvements to help sell your home.
- Loss on the sale of your home.
- Losses from disposing of memberships in clubs.
- Meal expenses.
- Mortgage penalties.
- Pre-move househunting expenses.
- Real estate taxes.
- Refitting of carpets and draperies.
- Security deposits (including any given up due to the move).
- Storage charges except those incurred in-transit and for foreign moves.
- Temporary living expenses.

No double deduction. You cannot take a moving expense deduction and a business expense deduction for the same expenses. You must decide if your expenses

are deductible as moving expenses or as business expenses. For example, expenses you have for travel, meals, and lodging while temporarily working at a place away from your regular place of work may be deductible as business expenses if you are considered away from home on business. Generally, your work at a single location is considered temporary if it is realistically expected to last (and does in fact last) for one year or less.

 See *Publication 463, Travel, Entertainment, Gift, and Car Expenses, for information on deducting your expenses.*


Tax Withholding and Estimated Tax

Your employer must withhold income tax, social security tax, and Medicare tax from reimbursements and allowances paid to you that are included in your income. See *Reimbursements included in income*, later.

Reimbursements excluded from income. Your employer should not include in your wages reimbursements paid under an accountable plan (explained later) for moving expenses that you:

- 1) Could deduct if you had paid or incurred them, and
- 2) Did not deduct in an earlier year.

These reimbursements are fringe benefits excludable from your income as qualified moving expense reimbursements. Your employer should report these reimbursements in box 13 of Form W-2.

 You **cannot** claim a moving expense deduction for these reimbursed expenses (see *Reimbursements under How To Report, later*).

Expenses deducted in earlier year. If you receive reimbursement this year for moving expenses deducted in an earlier year, and the reimbursement is not included as wages in box 1 of your Form W-2, you must include the reimbursement on line 21 of your Form 1040. Your employer should show the amount of your reimbursement in box 13 of your Form W-2.

Reimbursements included in income. Your employer must include in your income any reimbursements made (or treated as made) under a nonaccountable plan, even if they are for deductible moving expenses. See *Reimbursements under How To Report, later*. Your employer must also include in your gross income as wages any reimbursements of, or payments for, nondeductible moving expenses. This includes amounts your employer reimbursed you under an accountable plan (explained later) for meals, househunting trips, and real estate expenses. It also includes reimbursements that exceed your deductible expenses and that you do not return to your employer.

Reimbursement for deductible and nondeductible expenses. If your employer reimburses you for both deductible and nondeductible moving expenses, your employer must determine the amount of the reimbursement that is not taxable and not subject to withholding. Your employer must treat any remaining amount as taxable wages and withhold income tax, social security tax, and Medicare tax.

Amount of income tax withheld. If the reimbursements or allowances you receive are taxable, the amount of income tax your employer will withhold depends on several factors. It depends in part on whether or not income tax is withheld from your regular wages, on whether or not the reimbursements and allowances are combined with your regular wages, and on any information you have given to your employer on Form W-4, *Employee's Withholding Allowance Certificate*.

Estimated tax. If you must make estimated tax payments, you need to take into account any taxable reimbursements and deductible moving expenses in figuring your estimated tax. For details about estimated tax, see Publication 505, *Tax Withholding and Estimated Tax*.

How To Report

The following discussions explain how to report your moving expenses and any reimbursements or allowances you received for your move.



Use **Form 3903** to report your moving expenses. Use a separate Form 3903 for each qualified move.

Where to deduct. Deduct your moving expenses on line 26 of Form 1040. The amount of moving expenses you can deduct is shown on line 5 of Form 3903.



You cannot deduct moving expenses on Form 1040EZ or Form 1040A.

Reimbursements

This section explains what to do when you receive a reimbursement (including advances and allowances) for any of your moving expenses discussed in this publication.

If you received a reimbursement for your allowable moving expenses, how you report this amount and your expenses depends on whether the reimbursement was paid to you under an accountable plan or a nonaccountable plan. These plans are discussed later. For a quick overview of how to report the reimbursement, see *Table 2*.

Your employer should tell you what method of reimbursement is used and what records they require.

Employers. If you are an employer and you reimburse employee moving expenses, how you treat this reimbursement on your employee's Form W-2 depends

in part on whether you have an accountable plan. Reimbursements treated as paid under an accountable plan are reported in box 13 with code **P**. For more information, see Publication 535, *Business Expenses*.

Reimbursements treated as paid under nonaccountable plans, as explained later, are reported as pay. See Publication 15, *Circular E, Employer's Tax Guide*, for information on employee pay.

Accountable plans. To be an accountable plan, your employer's reimbursement arrangement must require you to meet all three of the following rules.

- 1) Your expenses must be of the type for which a deduction would be allowed had you paid them yourself. The reasonable expenses of moving your possessions from your former home to your new home, and traveling from your former home to your new home are two examples.
- 2) You must adequately account to your employer for these expenses within a reasonable period of time.
- 3) You must return any excess reimbursement or allowance within a reasonable period of time.

An **excess reimbursement** includes any amount you are paid or allowed that is more than the moving expenses that you adequately accounted for to your employer. See *Returning excess reimbursements*, later, for information on how to handle these excess amounts.




Adequate accounting. You adequately account by giving your employer documentary evidence of your moving expenses, along with a statement of expense, an account book, a diary, or a similar record in which you entered each expense at or near the time you had it. Documentary evidence includes receipts, canceled checks, and bills.

Returning excess reimbursements. You must be required to return any excess reimbursement for your moving expenses to the person paying the reimbursement. Excess reimbursement includes any amount for which you did not adequately account within a reasonable period of time. For example, if you received an advance and you did not spend all the money on deductible moving expenses, or you do not have proof of all your expenses, you have an excess reimbursement.

Reasonable period of time. What constitutes a "reasonable period of time" depends on the facts and circumstances of your situation. However, regardless of the facts and circumstances of your situation, actions that take place within the time specified in the following list will be treated as taking place within a reasonable period of time.

- 1) You receive an advance within 30 days of the time you have an expense.
- 2) You adequately account for your expenses within 60 days after they were paid or incurred.
- 3) You return any excess reimbursement within 120 days after the expense was paid or incurred.
- 4) You are given a periodic statement (at least quarterly) that asks you to either return or adequately

Table 2. Reporting Employee Moving Expenses and Reimbursements

Type of Reimbursement Arrangement	Employer Reports on Form W-2	Employee Shows on Form 3903
 Accountable		
<p>Actual allowable expense reimbursement</p> <p>Adequate accounting and excess returned</p>	<p>Reimbursement reported only in box 13. It is not reported in box 1.</p>	<p>All allowable expenses and reimbursements if excess expenses are claimed.¹</p> <p>Otherwise, form is not filed.</p>
<p>Actual allowable expense reimbursement</p> <p>Adequate accounting and return of excess both required but excess not returned</p>	<p>Excess reported as wages in box 1. Amount adequately accounted for is reported only in box 13. It is not reported in box 1.</p>	<p>All allowable expenses (and reimbursements reported on Form W-2, box 13) if expenses in excess of the reimbursement reported in box 13 of Form W-2 are claimed.¹</p> <p>Otherwise, form is not filed.</p>
<p>Actual allowable expense reimbursement with mileage allowance (up to standard mileage rate)</p> <p>Adequate accounting and excess returned</p>	<p>Reimbursement reported only in box 13. It is not reported in box 1.</p>	<p>All allowable expenses and reimbursements if excess expenses are claimed.¹</p> <p>Otherwise, form is not filed.</p>
<p>Actual allowable expense reimbursement with mileage allowance (exceeds standard mileage rate)</p> <p>Adequate accounting up to the standard mileage rate only and excess not returned</p>	<p>Excess reported as wages in box 1. Amount up to the standard mileage rate and other reimbursement is reported only in box 13. It is not reported in box 1.</p>	<p>All allowable expenses (and reimbursements reported on Form W-2, box 13) if expenses in excess of the reimbursement reported in box 13 of Form W-2 are claimed.¹</p> <p>Otherwise, form is not filed.</p>
 Nonaccountable		
<p>Either adequate accounting or return of excess, or both not required by plan</p>	<p>Entire amount is reported as wages in box 1.</p>	<p>All allowable expenses¹</p>
 No reimbursement	<p>Normal reporting of wages, etc.</p>	<p>All allowable expenses¹</p>

¹ Any allowable moving expense is carried to line 26 of Form 1040 and deducted as an adjustment to gross income.

account for outstanding advances **and** you comply within 120 days of the statement.

Employee meets accountable plan rules. If for all reimbursements you meet the three rules for an accountable plan, your employer should not include any reimbursements of allowable expenses in your income in box 1 of your Form W-2. Instead, your employer should include the reimbursements in box 13 of your Form W-2.

Example. You lived in Boston and accepted a job in Atlanta. Under an accountable plan, your employer reimbursed you for your actual traveling expenses from Boston to Atlanta and the cost of moving your furniture to Atlanta.

Your employer will include the reimbursement in box 13 of your Form W-2. If your allowable expenses are more than your reimbursement, show all of your expenses on lines 1 and 2 of Form 3903. Include the reimbursement on line 4 of Form 3903.

Employee does not meet accountable plan rules. You may be reimbursed by your employer, but for part of your expenses you may not meet all three rules.

If your deductible expenses are reimbursed under an otherwise accountable plan but you do not return, within a reasonable period, any reimbursement of expenses for which you did not adequately account, then only the amount for which you did adequately account is considered as paid under an accountable plan. The remaining expenses are treated as having been reimbursed under a nonaccountable plan (discussed later).

Reimbursement of nondeductible expenses. You may be reimbursed by your employer for moving expenses, some of which are deductible expenses and some of which are not deductible. The reimbursements received for the nondeductible expenses are treated as paid under a nonaccountable plan.

Nonaccountable plans. A nonaccountable plan is a reimbursement arrangement that does not meet the three rules listed earlier under *Accountable plans*.

In addition, the following payments will be treated as paid under a nonaccountable plan:

- 1) Excess reimbursements you fail to return to your employer, and
- 2) Reimbursements of nondeductible expenses. See *Reimbursement of nondeductible expenses*, earlier.

If an arrangement pays for your moving expenses by reducing your wages, salary, or other pay, the amount of the reduction will be treated as a payment made under a nonaccountable plan. This is because you are entitled to receive the full amount of your pay regardless of whether you had any moving expenses.

If you are not sure if the moving expense reimbursement arrangement is an accountable or nonaccountable plan, ask your employer.

Your employer will combine the amount of any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other pay. Your employer will report the total in box 1 of your Form W-2.

Example. To get you to work in another city, your new employer reimburses you under an accountable plan for the \$7,500 loss on the sale of your home. Since this is a reimbursement of a nondeductible expense, it is treated as paid under a nonaccountable plan and must be included as pay on your Form W-2.

Completing Form 3903. Complete the *Distance Test Worksheet* in the instructions for Form 3903 to see whether you meet the distance test. If so, complete lines 1-3 using your actual expenses (except, if you use your own car, you can figure expenses based on a mileage rate of 10 cents a mile, instead of on actual amounts for gas and oil). Enter on line 4 the total amount of your moving expense reimbursement that was excluded from your wages. This excluded amount should be identified with code **P** in box 13 of Form W-2.

If line 3 is more than line 4, subtract line 4 from line 3 and enter the result on line 5 and on Form 1040, line 26. This is your moving expense deduction. If line 3 is equal to or less than line 4, enter zero on line 5 (you have no moving expense deduction). Subtract line 3 from line 4 and, if the result is more than zero, include it on Form 1040, line 7.

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Do not include in income any moving expense payment you received under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. These payments are made to persons displaced from their homes, businesses, or farms by federal projects.

When To Deduct Expenses

If you were not reimbursed, deduct your allowable moving expenses either in the year you incurred them or in the year you paid them.

Example. In December 2000, your employer transferred you to another city in the United States, where you still work. You are single and were not reimbursed for your moving expenses. In 2000 you paid for moving your furniture. You deducted these expenses in 2000. In January 2001, you paid for travel to the new city. You can deduct these additional expenses in 2001.

Reimbursed expenses. If you are reimbursed for your expenses, you may be able to deduct your allowable expenses either in the year you incurred them or paid them. If you use the cash method of accounting, you can choose to deduct the expenses in the year you are reimbursed even though you paid the expenses in a different year. See *Choosing when to deduct*, later.

If you are reimbursed for your expenses in a year after you paid the expenses, you may want to delay taking the deduction until the year you receive the reimbursement. If you do not choose to delay your deduction until the year you are reimbursed, you must include the reimbursement in your income, even if you are reimbursed under an accountable plan. See *Reimbursements excluded from income* and its discussion, *Expenses deducted in earlier year*, under *Tax Withholding and Estimated Tax*, earlier.

Choosing when to deduct. If you use the cash method of accounting, which is used by most individuals, you can choose to deduct moving expenses in the year your employer reimburses you if:

- 1) You paid the expenses in a year before the year of reimbursement, or
- 2) You paid the expenses in the year immediately after the year of reimbursement but by the due date, including extensions, for filing your return for the reimbursement year.

How to make the choice. You can choose to deduct moving expenses in the year you received reimbursement by taking the deduction on your return, or amended return, for that year.



You cannot deduct any moving expenses for which you received a reimbursement that was excluded from your income. Reimbursements excluded from, or included in, income are discussed under Tax Withholding and Estimated Tax, earlier.

Example

Tom Smith is married and has two children. He owned his home in Detroit where he worked. On February 8, his employer told him that he would be transferred to San Diego as of April 10 that year. His wife, Peggy, flew to San Diego on March 1 to look for a new home. She put a down payment of \$25,000 on a house being built and came back to Detroit on March 4. The Smiths sold their Detroit home for \$1,500 less than they paid for it. They contracted to have their personal effects moved to San Diego on April 3. The family drove to San Diego where they found that their new home was not finished. They stayed in a nearby motel until the house was ready on May 1. On April 10, Tom went to work in the San Diego plant where he still works.

His records for the move show:

1) Peggy's pre-move househunting trip:			
Travel and lodging	\$	449	
Meals		<u>75</u>	\$ 524
2) Down payment on San Diego home			25,000
3) Real estate commission paid on sale of Detroit home			3,500
4) Loss on sale of Detroit home (not including real estate commission)			1,500
5) Amount paid for moving personal effects (furniture, other household goods, etc.)			8,000
6) Expenses of driving to San Diego:			
Mileage (Start 14,278; End 16,478)			
2,200 miles at 10 cents a mile	\$	220	
Lodging		180	
Meals		<u>320</u>	720
7) Cost of temporary living expenses in San Diego:			
Motel rooms	\$	1,450	
Meals		<u>2,280</u>	3,730
Total			<u>\$42,974</u>

Tom was reimbursed \$10,599 under an accountable plan as follows:

Moving personal effects	\$	6,800
Travel (and lodging) to San Diego		400
Travel (and lodging) for househunting trip		449
Lodging for temporary quarters		1,450
Loss on sale of home		<u>1,500</u>
Total reimbursement		<u>\$10,599</u>

Tom's employer gave him a breakdown of the amount of reimbursement.

The employer included this reimbursement on Tom's Form W-2 for the year. The reimbursement of deduct-

ible expenses, \$7,200 (\$6,800 + \$400) for moving household goods and travel to San Diego, was included in box 13 of Form W-2. His employer identified this amount with code **P**.

The employer included the balance, \$3,399 reimbursement of nondeductible expenses, in box 1 of Form W-2 with Tom's other wages. He must include this amount on line 7 of Form 1040. The employer withholds taxes from the \$3,399, as discussed under *Nondeductible expenses*, earlier. Also, Tom's employer could have given him a separate Form W-2 for his moving reimbursement.

Tom figures his deduction for moving expenses as follows:

Item 5, moving personal effects (line 1)	\$8,000
Item 6, driving to San Diego (\$220 + \$180) (line 2)	<u>400</u>
Total deductible moving expenses (line 3)	\$8,400
Minus: Reimbursement included in box 13 of Form W-2 (line 4)	<u>7,200</u>
Deduction for moving expenses (line 5)	<u>\$1,200</u>

Tom enters these amounts on Form 3903 to figure his deduction. His Form 3903 and *Distance Test Worksheet* are shown later. He also enters his deduction, \$1,200, on line 26, Form 1040.

Nondeductible expenses. Of the \$42,974 expenses that Tom incurred, the following items cannot be deducted.

- Item 1, pre-move househunting expenses.
- Item 2, the down payment on the San Diego home. If any part of it were for payment of deductible taxes or interest on the mortgage on the house, that part would be deductible as an itemized deduction.
- Item 3, the real estate commission paid on the sale of the Detroit home. The commission is used to figure the gain or loss on the sale.
- Item 4, the loss on the sale of the Detroit home. The Smiths cannot deduct it even though Tom's employer reimbursed him for it.
- Item 6, the meals expenses while driving to San Diego. (However, the lodging and car expenses are deductible.)
- Item 7, temporary living expenses.

Moving Expenses

▶ Attach to Form 1040.

Name(s) shown on Form 1040

Tom and Peggy Smith

Your social security number
325 ; 00 ; 6437

Before you begin, see the Distance Test and Time Test in the instructions to make sure you can take this deduction. If you are a member of the armed forces, see the instructions to find out how to complete this form.

1	Enter the amount you paid for transportation and storage of household goods and personal effects (see instructions)	8,000	—
2	Enter the amount you paid for travel and lodging expenses in moving from your old home to your new home. Do not include meals (see instructions)	400	—
3	Add lines 1 and 2	8,400	—
4	Enter the total amount your employer paid you for the expenses listed on lines 1 and 2 that is not included in the wages box (box 1) of your W-2 form. This amount should be identified with code P in box 13 of your W-2 form	7,200	—
Is line 3 more than line 4?			
Yes. Go to line 5.			
No. You cannot deduct your moving expenses. If line 3 is less than line 4, subtract line 3 from line 4 and include the result on the "Wages, salaries, tips, etc." line of Form 1040.			
5	Subtract line 4 from line 3. Enter the result here and on the "Moving expenses" line of Form 1040. This is your moving expense deduction	1,200	—

General Instructions

A Change To Note

Beginning in 1998, include on lines 1 and 2 of Form 3903 **only** the amounts you actually paid for the expenses listed. Include on those lines the total amount you paid even if your employer reimbursed you for the expenses. Use line 4 to report amounts your employer paid directly to you for the expenses listed on lines 1 and 2 if they are **not** reported to you as wages on Form W-2.

Do not include on Form 3903 any amount your employer paid to a third party (such as a moving or storage company). Also, do not include the value of any services your employer provided in kind.

Purpose of Form

Use Form 3903 to figure your moving expense deduction if:

- You moved to a new principal place of work (workplace) within the United States or its possessions, OR
- You moved to a new workplace outside the United States or its possessions and you are a U.S. citizen or resident alien.

If you qualify to deduct expenses for more than one move, use a separate Form 3903 for each move.

For more details, see **Pub. 521**, Moving Expenses.

Who May Deduct Moving Expenses

If you moved to a different home because of a change in job location, you may be able to deduct your moving expenses. You may be able to take the deduction whether you are self-employed or an employee. But you must meet certain tests explained next.

Distance Test

Your new principal workplace must be at least 50 miles farther from your old home than your old workplace was. For example, if your old workplace was 3 miles from your old home, your new workplace must be at least 53 miles from that home. If you did not have an old workplace, your new workplace must be at least 50 miles from

your old home. The distance between the two points is the shortest of the more commonly traveled routes between them.

TIP: If you are not sure if you meet the distance test, use the worksheet on this page.

Time Test

If you are an employee, you must work full time in the general area of your new workplace for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work full time in the general area of your new workplace for at least 39 weeks during the first 12 months and a total of at least 78 weeks during the 24 months right after you move.

What If You Do Not Meet the Time Test Before Your Return Is Due? If you expect to meet the time test, you may deduct

Distance Test Worksheet (keep a copy for your records)

1. Enter the number of miles from your old home to your new workplace	1. <u>2,200</u> miles
2. Enter the number of miles from your old home to your old workplace	2. <u>5</u> miles
3. Subtract line 2 from line 1. If zero or less, enter -0-.	3. <u>2,195</u> miles

Is line 3 at least 50 miles?

Yes. You meet this test.

No. You do not meet this test. You **cannot** deduct your moving expenses. **Do not** complete Form 3903.

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.


The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate at **1-877-777-4778**.
- Call the IRS at **1-800-829-1040**.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call **1-800-829-4059** if you are a TTY/TDD user.

For more information, see Publication 1546, *The Taxpayer Advocate Service of the IRS*.

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

 **Personal computer.** With your personal computer and modem, you can access the IRS on the Internet at **www.irs.gov**. While visiting our web site, you can select:

- *Frequently Asked Tax Questions* (located under *Taxpayer Help & Ed*) to find answers to questions you may have.
- *Forms & Pubs* to download forms and publications or search for forms and publications by topic or keyword.
- *Fill-in Forms* (located under *Forms & Pubs*) to enter information while the form is displayed and then print the completed form.
- *Tax Info For You* to view Internal Revenue Bulletins published in the last few years.
- *Tax Regs in English* to search regulations and the Internal Revenue Code (under *United States Code (USC)*).
- *Digital Dispatch* and *IRS Local News Net* (both located under *Tax Info For Business*) to receive our electronic newsletters on hot tax issues and news.

- *Small Business Corner* (located under *Tax Info For Business*) to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at **ftp.irs.gov**.



TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Also, some libraries and IRS offices have:

- An extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.

- The Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

Richmond, VA 23261-5074



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**

Western Area Distribution Center
Rancho Cordova, CA 95743-0001

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- **Eastern part of U.S. and foreign addresses:**

Eastern Area Distribution Center
P.O. Box 85074



CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM*, and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1-877-233-6767** or on the Internet at **www.irs.gov/cdorders**. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *The Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676**.