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Moving Expenses

For use in preparing
2004 Returns



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What's New

Standard mileage rate. The standard mileage rate for moving expenses has been increased from 12 cents a mile in 2003 to 14 cents a mile in 2004. See *Travel by car* under *Deductible Moving Expenses*.

Reminders

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.

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.

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. It includes the following topics.

- Who can deduct moving expenses.
- What moving expenses are deductible.
- What moving expenses are not deductible.
- How a reimbursement affects your moving expense deduction.
- How and when to report moving expenses.
- Special rules for members of the Armed Forces.

An example, including a filled-in Form 3903, Moving Expenses, is shown near the end of the publication.

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

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

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.

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Tax questions. If you have a tax question, visit www.irs.gov or call 1-800-829-1040. We cannot answer tax questions at either of the addresses listed above.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to one of the three addresses shown under *How To Get Tax Help* in the back of this publication.

Useful Items

You may want to see:

Publication

- 3 Armed Forces' Tax Guide

Form (and Instructions)

- 1040 U.S. Individual Income Tax Return
- 1040X Amended U.S. Individual Income Tax Return
- 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 moving expenses if you meet all three of the following requirements.

1. Your move is closely related to the start of work.
2. You meet the distance test.
3. You meet the time test.

After you have read these rules, you may want to use *Figure B* to help you decide if you can deduct your moving expenses.

Retirees, survivors, and Armed Forces members. Different rules may apply if you are a member of the Armed Forces or a retiree or survivor moving to the United States. These rules are discussed later in this publication.

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 1 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 1 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 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. If your move does not meet this requirement, you may still be able to deduct moving expenses if you can show that:

1. You are required to live at your new 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 location.

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.

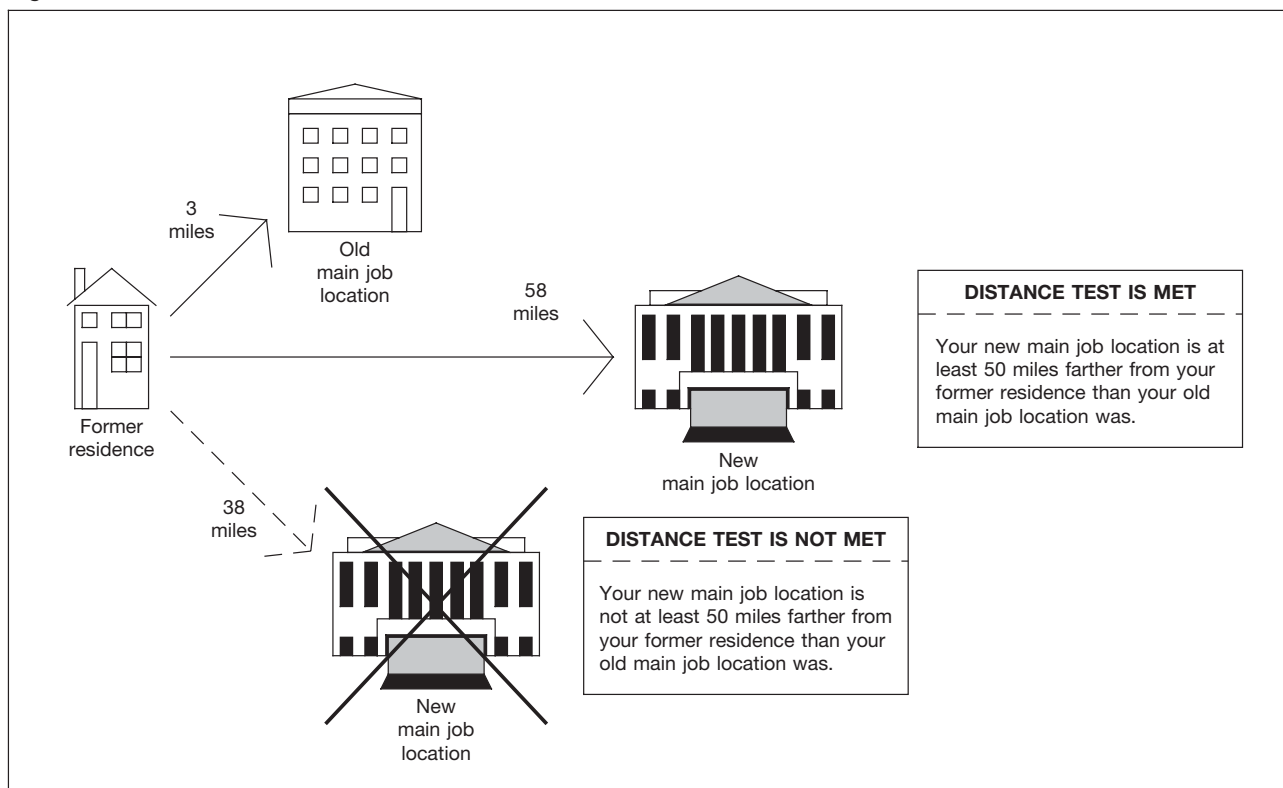
Retirees or survivors. You may be able to deduct the expenses of moving to the United States or its possessions even though the move is not related to the start of work at a new job location. You must have worked outside the United States or be a survivor of someone who did. See *Retirees or Survivors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

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 location was 3 miles from your former home, your new main job location must be at least 53 miles from that former home. You can use *Worksheet 1* to see if you meet this test.

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

Figure A. Illustration of Distance Test



Worksheet 1. **Distance Test**

Note. Members of the armed forces may not have to meet this test. See *Members of the Armed Forces*.

- | | | | |
|----|---|----|-------------|
| 1. | Enter the number of miles from your old home to your new workplace | 1. | _____ miles |
| 2. | Enter the number of miles from your old home to your old workplace | 2. | _____ miles |
| 3. | Subtract line 2 from line 1. If zero or less, enter -0- | 3. | _____ miles |
| 4. | Is line 3 at least 50 miles? | | |
| | <input type="checkbox"/> Yes. You meet this test. | | |
| | <input type="checkbox"/> No. You do not meet this test. You cannot deduct your moving expenses. | | |

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 location was 3 miles from your former home. Your new main job location is 60 miles from that home. Because your new main job location is 57 miles farther from your former home than the distance from your former home to your old main job location, you meet the 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.

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. 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 any time, 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 two time tests.

1. The time test for employees.
2. The time test for self-employed persons.

Both of these tests are explained below. See *Table 1*, below, for a summary of these tests.

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 (39-week test). Full-time employment depends on what is usual for your type of work in your area.

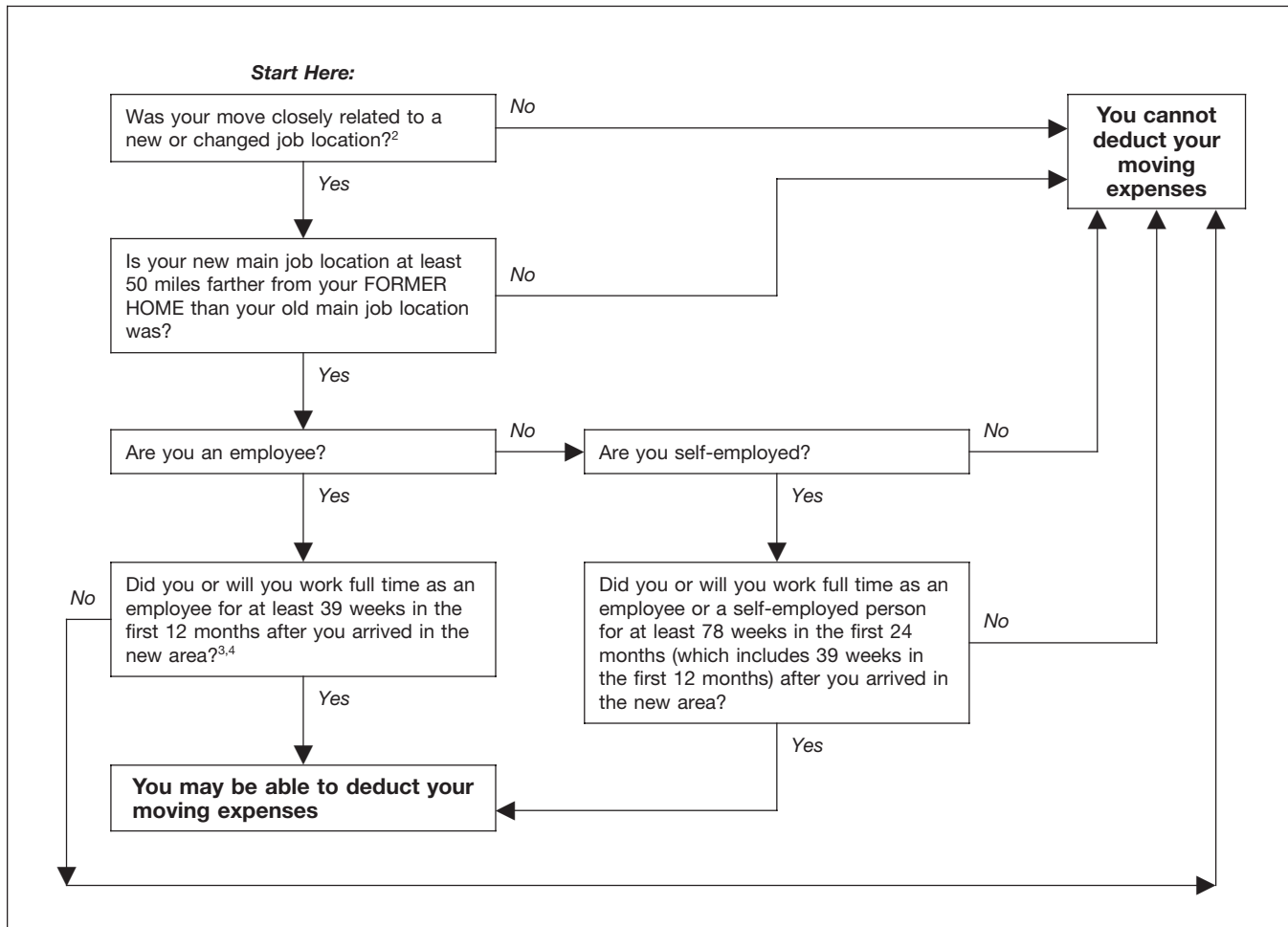
For purposes of this test, the following four rules apply.

1. You count only your full-time work as an employee, not any work you do as a self-employed person.

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

IF you are...	THEN you satisfy the time test by meeting the...
an employee	39-week test for employees.
self-employed	78-week test for self-employed persons.
both self-employed and an employee at the same time	78-week test for a self-employed person or the 39-week test for an employee. Your principal place of work determines which test applies.
both self-employed and an employee, but unable to satisfy the 39-week test for employees	78-week test for self-employed persons.

Figure B. **Can You Deduct Expenses for a Non-Military Move Within the United States?**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 12 months, answer YES if your time as a full-time employee added to your time as a 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.

2. You do not have to work for the same employer for all 39 weeks.
3. You do not have to work 39 weeks in a row.
4. You must work full time within the same general commuting area for all 39 weeks.

Temporary absence from work. You are considered to have worked full time during any week you are temporarily absent from work because of illness, strikes, lockouts, layoffs, natural disasters, or similar causes. You are also considered to have worked full time 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 of 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 to have worked full time 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 the general area of your new job location (78-week test).

For purposes of the time test for self-employed persons, the following three rules apply.

1. You count any full-time work you do either as an employee or as a self-employed person.
2. You do not have to work for the same employer or be self-employed in the same trade or business for the 78 weeks.
3. You must work within the same general commuting area for all 78 weeks.

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 semi-retired, are a part-time student, or work only a few hours each week.

Full-time work. You can count only those weeks during which 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 your 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 during which you worked full time. The off-season must be less than 6 months and you must work full time before and after the off-season.

Example. You own and operate a motel at a beach resort. The motel is closed for 5 months during the off-season. You work full time as the operator of the motel before and after the off-season. You are considered self-employed on a full-time basis during the weeks of the off-season.

If you were both an employee and self-employed, see *Table 1*, earlier, for the requirements.

Example. Justin quit his job and moved from the east coast to the west coast to begin a full-time job as a cabinet-maker for C and L Cabinet Shop. He generally worked at the shop about 40 hours each week. Shortly after the move, Justin also began operating a cabinet-installation business from his home for several hours each afternoon and all day on weekends. Because Justin's principal place of business is the cabinet shop, he can satisfy the time test by meeting the 39-week test.

If Justin is unable to satisfy the requirements of the 39-week test during the 12-month period immediately following his arrival in the general location of his new principal place of work, he can satisfy the 78-week test.

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 add the weeks your spouse worked to the weeks you worked to satisfy that test.

Time Test Not Yet Met

You can deduct your moving expenses on your 2004 tax return even though you have not yet met the time test by

the date your 2004 return is due. You can do this if you expect to meet the 39-week test in 2005 or the 78-week test in 2005 or 2006. If you deduct moving expenses but do not meet the time test in 2005 or 2006, 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 2004 return using Form 1040X.

If you do not deduct your moving expenses on your 2004 return, and you later meet the time test, you can file an amended return for 2004 to take the deduction.

Example. You arrive in the general area of your new job location on September 15, 2004. You deduct your moving expenses on your 2004 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 during the 12-month period following your arrival in the general area of your new job location, you must either:

1. Report as income on your 2005 return the amount you deducted as moving expenses on your 2004 return, or
2. Amend your 2004 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. Your main job location was outside the United States and 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.

Retirees or Survivors Who Move to the United States

If you are a retiree who was working abroad or a survivor of a decedent who was working abroad and you move to the United States or one of its possessions, you do not have to meet the time test, discussed earlier. However, you must

meet the requirements discussed below under *Retirees who were working abroad* or *Survivors of decedents who were working abroad*.



If you are living in the United States, retire, and then move and remain retired, you cannot claim a moving expense deduction for that move.

United States defined. For this section of this publication, the term “United States” includes the possessions of the United States.

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.

Survivors of decedents who were working abroad. 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, you can deduct moving expenses if the following five requirements are met.

1. The move is to a home in the United States.
2. The move begins within 6 months after the decedent’s death. (When a move begins is described below.)
3. The move is from the decedent’s former home.
4. The decedent’s former home was outside the United States.
5. The decedent’s former home was also 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 under *Who Can Deduct Moving Expenses*, 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 sightseeing, 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. The standard mileage rate (14 cents a mile for 2004).

Whether you use actual expenses or the standard mileage rate to figure your expenses, you can 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 that person is your dependent.

Moves to Locations in the United States

If you meet the requirements under *Who Can Deduct Moving Expenses*, earlier, you can deduct 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 U.S. location to another or from a foreign country to the United States.

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 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 \$900 to move his furniture from North Carolina to Washington and \$3,000 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 \$1,800. He can deduct only \$1,800 of the \$3,000 he paid. The amount he can deduct for moving his furniture is \$2,700 (\$900 + \$1,800).



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

Storage expenses. 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.

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 no longer 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 to Locations Outside the United States

To deduct expenses for a move outside the United States, you must move to the area of a new place of work outside the United States and its possessions. You must meet the requirements under *Who Can Deduct Moving Expenses*, earlier.

Deductible expenses. If your move is to a location outside the United States and its possessions, you can deduct the following expenses.

- The cost of moving household goods and personal effects from your former home to your new home.
- The cost of traveling (including lodging) from your former home to your new home.
- The cost of moving household goods and personal effects to and from storage.
- The cost of storing household goods and personal effects while you are at the new job location.

The first two items were explained earlier under *Moves to Locations in the United States*. The last two items are discussed below.

Moving goods and effects to and from storage. You can deduct the reasonable expenses of moving your personal effects to and from storage.

Storage expenses. You can deduct the reasonable expenses of storing your household goods and personal effects for all or part of the time the new job location remains your main job location.

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 exclusion, you cannot deduct the part of your moving expenses that relates to the excluded income.

Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, explains how to figure the part of your moving expenses that relates to excluded income. You can get the publication from most U.S. 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 business expenses.

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. It also explains the types of reimbursements on which your employer must withhold income tax, social security tax, and Medicare tax.

Types of Reimbursement Plans

If you receive a reimbursement for your moving expenses, how you report this amount and your expenses depends on whether the reimbursement is paid to you under an accountable plan or a nonaccountable plan. For a quick overview of how to report your reimbursement and moving expenses, see *Table 2* in the section on *How and When To Report*, later.

Your employer should tell you what method of reimbursement is used and what records are required.

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.

Adequate accounting. You adequately account for your moving expenses by giving your employer documentary evidence of those 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.

Reasonable period of time. What constitutes a "reasonable period of time" depends on the facts and circumstances of your situation. However, regardless of those facts and circumstances, 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 account for outstanding advances and you comply within 120 days of the statement.

Excess reimbursement. This includes any amount you are paid (including advances and allowances) that is more than the moving expenses that you adequately accounted for to your employer within a reasonable period of time. See *Returning excess reimbursements*, next, for information on how to handle these excess amounts.

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.

You meet accountable plan rules. If for all reimbursements you meet the three rules for an accountable plan, your employer should not include any reimbursements of expenses in your income in box 1 of your Form W-2. Instead, your employer should include the reimbursements in box 12 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 12 of your Form W-2. If your moving expenses are more than

your reimbursement, you may be able to deduct your additional expenses (see *How and When To Report*, later).

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

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 below).

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.
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 add the amount of any reimbursement paid to you under a nonaccountable plan to 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. Because this is a reimbursement of a nondeductible expense, it is treated as paid under a nonaccountable plan and must be included as paid in box 1 of your Form W-2.

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.

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 earlier) 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 12 of Form W-2.



You cannot claim a moving expense deduction for expenses covered by reimbursements excluded from income (see Accountable Plans under Types of Reimbursement Plans, earlier).

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 12 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 though they are for deductible moving expenses. See *Nonaccountable Plans* under *Types of Reimbursement Plans*, earlier. Your employer also must 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 earlier) 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 added to 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 and When To Report

This section explains how and when to report your moving expenses and any reimbursements or allowances you received for your move. For a quick overview, see *Table 2*, below.

Form 3903

Use Form 3903 to figure your moving expense deduction. Use a separate Form 3903 for each move for which you are deducting expenses.

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

1. You moved to a location outside the United States 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 29, Form 1040, and enter "Storage" next to the amount.

If you meet the special rules for members of the Armed Forces, see *How to complete Form 3903 for members of*

the Armed Forces under Members of the Armed Forces, later.

Completing the form. Complete *Worksheet 1*, earlier, or the *Distance Test Worksheet* in the instructions for Form 3903 to see whether you meet the distance test. If so, complete lines 1-3 of the form using your actual expenses (except, if you use your own car, you can figure expenses based on a mileage rate of 14 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 12 of Form W-2.

Expenses greater than reimbursement. 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 29. This is your moving expense deduction.

Expenses equal to or less than reimbursement. If line 3 is equal to or less than line 4, you have no moving expense deduction. Subtract line 3 from line 4 and, if the result is more than zero, include it as income on Form 1040, line 7.

Where to deduct. Deduct your moving expenses on line 29 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.

When To Deduct Expenses

You may have a choice of when to deduct your moving expenses and report any reimbursement.

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

Table 2. Reporting Your Moving Expenses and Reimbursements

IF your Form W-2 shows...	AND you have...	THEN...
your reimbursement reported only in box 12 with code P	moving expenses greater than the amount in box 12	file Form 3903 showing all allowable expenses* and reimbursements.
your reimbursement reported only in box 12 with code P	moving expenses equal to the amount in box 12	do not file Form 3903.
your reimbursement divided between box 12 and box 1	moving expenses greater than the amount in box 12	file Form 3903 showing all allowable expenses,* but only the reimbursements reported in box 12.
your entire reimbursement reported as wages in box 1	moving expenses	file Form 3903 showing all allowable expenses,* but no reimbursements.
no reimbursement	moving expenses	file Form 3903 showing all allowable expenses.*

* See *Deductible Moving Expenses* for allowable expenses.

Example. In December 2003, 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 2003, you paid for moving your furniture and deducted these expenses on your 2003 tax return. In January 2004, you paid for travel to the new city. You can deduct these additional expenses on your 2004 tax return.

Expenses reimbursed. If you are reimbursed for your expenses, you may be able to deduct your expenses either in the year you incurred them or in the year you 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*, next.

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 and you deduct moving expenses that will be reimbursed, you must include the reimbursement in your income.

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 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 not included in your income.

Illustrated 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	75	\$ 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 14 cents a mile	\$ 308		
Lodging	180		
Meals	320	808	
7) Cost of temporary living expenses in San Diego:			
Motel rooms	\$1,450		
Meals	2,280	3,730	
Total			<u>\$43,062</u>

Tom was reimbursed \$10,643 under an accountable plan. His employer gave him the following breakdown of the reimbursement.

Moving personal effects	\$ 6,800
Travel (and lodging) to San Diego	444
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>\$10,643</u>

The employer included this reimbursement on Tom's Form W-2 for the year. The reimbursement of deductible expenses, \$7,244 (\$6,800 + \$444) for moving household goods and travel to San Diego, was included in box 12 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. Tom must include this amount on line 7 of Form 1040. The employer withholds taxes from the \$3,399, as discussed under *Reimbursement for deductible and nondeductible expenses* under *Tax Withholding and Estimated Tax*, earlier. Also, Tom's employer could have given him a separate Form W-2 for his moving reimbursement.

To figure his deduction for moving expenses, Tom enters the following amounts on Form 3903.

Item 5 — moving personal effects (line 1)	\$8,000
Item 6 — driving to San Diego (\$308 + \$180) (line 2)	<u>488</u>
Total deductible moving expenses (line 3)	\$8,488

Minus: Reimbursement included in box 12 of Form W-2 (line 4)	<u>7,244</u>
Deduction for moving expenses (line 5)	<u>\$1,244</u>

Tom's Form 3903 and *Distance Test Worksheet* are shown on the next page. He also enters his deduction, \$1,244, on line 29, Form 1040.

Nondeductible expenses. Of the \$43,062 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 expenses for meals 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 find out if you can deduct your moving expenses.
 ✓ 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 in moving from your old home to your new home (see instructions). Do not include the cost of meals	488	—
3	Add lines 1 and 2	8,488	—
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 Form W-2. This amount should be shown in box 12 of your Form W-2 with code P	7,244	—
5	Is line 3 more than line 4? <input type="checkbox"/> 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 Form 1040, line 7. <input checked="" type="checkbox"/> Yes. Moving expense deduction. Subtract line 4 from line 3. Enter the result here and on Form 1040, line 29	1,244	—

General Instructions

What's New

For 2004, the standard mileage rate for using your vehicle to move to a new home is 14 cents a mile.

Purpose of Form

Use Form 3903 to figure your moving expense deduction for a move related to the start of work at a new principal place of work (workplace). If the new workplace is outside the United States or its possessions, you must be a U.S. citizen or resident alien to deduct your expenses.

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 move to a new home because of a new principal workplace, you may be able to deduct your moving expenses whether you are self-employed or an employee. But you must meet both the distance test and time test that follow.

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.



To see if you meet the distance test, you can use the worksheet below.

Distance Test Worksheet

Keep a Copy for Your Records



Members of the Armed Forces may not have to meet this test. For details, see the instructions on the back of this form.

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

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 moving expenses.

A permanent change of station includes:

- A move from your home to your first post of active duty,
- A move from one permanent post of duty to another, and
- 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 and should not be included in box 1 of Form W-2.

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 are more than your reimbursements. See *Deductible Moving Expenses*, earlier.

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

 Take the following steps.

1. Complete lines 1-3 of the form, using your actual expenses. Do not include any expenses for moving services provided by the government. Also, do not include any expenses that were reimbursed by an allowance you do not have to include in your 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 29. This is your moving expense deduction. If line 3 is equal to or less than line 4, 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.

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 independently 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 toll free at 1-877-777-4778.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call 1-800-829-4059 if you are a TTY/TDD user.
- Visit www.irs.gov/advocate.

For more information, see Publication 1546, The Taxpayer Advocate Service of the IRS—How To Get Help With Unresolved Tax Problems.

Free tax services. To find out what services are available, get Publication 910, IRS 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.



Internet. You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2004 refund. Click on *Where's My Refund*. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2004 tax return available because you will need to know your filing status and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.

- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using our Form W-4 calculator.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



Fax. You can get over 100 of the most requested forms and instructions 24 hours a day, 7 days a week, by fax. Just call 703-368-9694 from the telephone connected to your fax machine. When you call, you will hear instructions on how to use the service. The items you request will be faxed to you.

For help with transmission problems, call 703-487-4608.

Long-distance charges may apply.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.
- *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 and press 2 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* If you would like to check the status of your 2004 refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2004 tax return available because you will need to know your filing status and the exact whole dollar amount of your refund.

Evaluating the quality of our telephone services. To

ensure that IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



Walk-in. Many products and services are available on a walk-in basis.

- **Products.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD-ROM or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- **Services.** You can walk in to your local Taxpayer Assistance Center every business day to ask tax questions or get help with a tax problem. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. You can set up an appointment by calling your local Center and, at the prompt, leaving a message requesting Everyday Tax Solutions help. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to www.irs.gov/local-contacts or look in the phone book under *United States Government, Internal Revenue Service*.



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

Buy the CD-ROM from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$22 (no handling fee) or call 1-877-233-6767 toll free to buy the CD-ROM for \$22 (plus a \$5 handling fee). The first release is available in early January and the final release is available in late February.



CD-ROM for small businesses. Publication 3207, The Small Business Resource Guide, CD-ROM 2004, is a must for every small business owner or any taxpayer about to start a business. This handy, interactive CD contains all the business tax forms, instructions, and publications needed to successfully manage a business. In addition, the CD provides other helpful information, such as how to prepare a business plan, finding financing for your business, and much more. The design of the CD makes finding information easy and quick and incorporates file formats and browsers that can be run on virtually any desktop or laptop computer.

It is available in early April. You can get a free copy by calling 1-800-829-3676 or by visiting www.irs.gov/smallbiz.



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