

What's Deductible and What's Not — Helping Your Employee Save On Taxes When Relocating

Relocating employees includes a variety of expenses, whether your company is footing part of the bill or the entire thing. If you are splitting the costs, be sure to inform your employee of what expenses are tax deductible and which are not.

At Schroeder Moving Systems, we are experts at moving, not tax law. Particularly because tax implications are always evolving, we cannot give tax advice. You should always check with a tax expert to determine what expenses are deductible which are not. However, we can provide some general guidelines as we understand them.

If your employee relocation takes him or her at least 50 miles closer to the primary workspace, much of the actual cost of moving can be deducted, provided the expenses are reasonable. To be eligible, the move must also occur within one year of assuming the new position, and the employee must work full-time for at least 39 weeks in the year following the relocation, or 78 weeks out of the next two years if you are self-employed. (Note: The work does not need to be for the same employer, but it must be in the same vicinity.) Some extenuating circumstances, such as being laid off, transferred, or injured, do not negate your eligibility.

Deductible moving costs can include packing, crating, and transporting personal belongings, automobiles, and pets. Additionally, up to 30 consecutive days of storage can be deducted for domestic relocations. For international relocations, consult a tax expert.

Mileage and lodging costs can also be claimed, based upon the shortest distance available one way. If the entire family does not move at the same time, it is permitted to claim up to one trip per family member.

Some non-deductible moving expenses include meals, house-hunting trips, real estate costs, deposits, home improvements, and mortgage penalties.

On your tax return, moving expenses must be applied as an adjustment to your gross income. Completing form 3903 is usually required, but contact the IRS or a tax consultant to ensure you are using the correct forms for your particular claim.

Then, upon filing your return, keep all your receipts and papers stored in a safe place. If you are asked to show proof to support your adjustment, you'll be glad you did.