

Locking In Deductions for Moving Expenses

Are you pulling up stakes at your principal residence? If you are moving to a different location because you found a new job or you are being transferred by your current employer, you may qualify for a moving expense deduction on your tax return. On the other hand, if you are making the move strictly for personal reasons, you are completely out of luck – you cannot deduct any of these expenses.

Even if a move is job-related, you must pass a two-part “time and distance” test to secure the deduction. Here is a brief summary.

The Time Test

If you are an employee, you must work full-time for at least 39 weeks during the first 12 months after arriving in the general area of the new job. But you do not necessarily have to work for the same employer during that time period. If you are self-employed, you must work full-time for at least 39 weeks during the first 12 months and a total of at least 78 weeks during the first 24 months after arriving in the general area.

The full-time work requirement may be waived in the case of death, disability, involuntary separation from work (other than termination for willful misconduct) or transfer to another location for the benefit of the employer.



Even if your move is job-related, it is necessary to pass a two-part test in order to secure any deductions on your tax return.

The Distance Test

Your new job location must be at least 50 miles farther from your old home than your old job location. The distance between these two points is generally measured by the most commonly traveled route.

Assuming that you qualify for a moving expense deduction, you are entitled to deduct the “direct expenses” of making the move. This includes the cost of transferring household goods and personal effects, such as furniture, appliances, and pots and pans. If you travel to the new location by car, you can deduct your actual expenses – such as gas, oil, repairs and so on – or take a flat rate deduction of 24 cents per mile (plus tolls and parking fees) for 2009. And if you need lodging along the way, the cost is also deductible.

However, you cannot deduct any “indirect expenses,” including the cost of meals, pre-move house-hunting expenses, temporary living quarters, attorney fees, and real estate commissions related to the move.

What happens if you are transferred by your company and you are reimbursed for your moving expenses? In that case, there are no tax consequences if the reimbursement covers only direct expenses that would be deductible as moving expenses. Otherwise, any extra reimbursements are treated as taxable compensation. ■



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