Moving Expenses

If you move to a different location to start a new job or self-employment, you may be able to deduct part of your moving expenses. The deduction is available whether you claim standard or itemized deductions, and whether you own or rent either home. To claim your unreimbursed expenses, use Form 3903.

What qualifies as a move

Your move must meet certain requirements to qualify for the deduction:

1. The move has to be related to starting work in the new location. In general, that means you have to start working in the new location within one year of the move, although exceptions can be made if you can show special circumstances that prevented you from moving within that time.
2. The move has to be relatively close to your new job location. The distance from your new home to your new workplace cannot be more than the distance from your old home to the new job location. In addition, the move has to meet a distance test - the new workplace must be more than 50 miles farther away than your old workplace was from your old home. For example, if you used to live 10 miles from work, your new workplace must be at least 60 miles away from your former home for the move to qualify. (If you don't have a former workplace, as is the case with a first job, or if you're returning to work after being unemployed or a part-time worker for a substantial period, your new workplace just has to be at least 50 miles from your former home.)
3. You must work full-time for a certain amount of time after moving to the new location. This is the time test, and for employees that means you have to work full-time for at least 39 weeks in the 12 months after you move. The 39 weeks don't have to be consecutive or for the same employer. If you're self-employed, you have to work a total of 78 weeks in the first 24 months after the move, including at least 39 weeks in the first 12 months after the move. You can count any work, both employment and self-employment, and in any trade or business. On joint returns, either spouse can satisfy the time test, but the work periods cannot be combined to satisfy the time test.

You can claim the moving expenses deduction even before you meet the time test, if you expect to complete the 39-week work period in the year you're filing, or the year after that for the 78-week work period. So, for example, if you moved in late 2013, you can claim the deduction on your 2013 return that you file in 2014, even though you may not have completed the time test period.

If you fail to complete the work period, but have already claimed the deduction, you must either:

- Add the deduction as income on your next tax return, or
- Amend the return, and refile without the deduction.

The time test does not apply if you become disabled or die before completing the period, or if you're a member of the Armed Forces and moved because of a permanent change of station. There are other exceptions for retirees and survivors moving to the U.S. See IRS Publication 521for more information.

What expenses can be deducted

Provided you meet the tests above, you can deduct reasonable expenses for:

- Costs for moving or shipping your household goods, personal effects, pets and vehicles
- Disconnecting or connecting utility services required because of moving your things

- Travel costs for yourself and your family members to your new home, including lodging along the way, but not meals. Your family members do not have to move at the same time as you.
- Use of your car, either by claiming actual expenses or by claiming the standard mileage rate, which is 24 cents per mile. For either method, you can add parking fees and tolls.
- Storing and insuring your possessions for up to 30 days after they leave your former home but before they are delivered to your new home

You may deduct expenses regardless of whether you're moving within, to or from the U.S. For moves outside the U.S., you can only expenses for storing your things while you're working at the workplace outside the U.S.

Expenses that cannot be deducted

You cannot deduct expenses that are not directly related to moving yourself, your family, and your household. So you cannot deduct:

- Any of the amount you paid for your new home
- Any expenses related to improving for sale or selling your former home, as well as any loss incurred on the sale
- Expenses for signing or breaking a lease
- Car registration tags or driver's license
- Mortgage prepayment penalties
- Househunting expenses
- Real estate taxes (as a moving expense)
- Changing carpet and draperies in your new home
- Return trips to your former home - you can only deduct one trip per person
- Forfeit of membership fees or security deposits
- Expenses for furnishing or setting up your household in the new location, such as security deposits and fees for connecting utilities

What if you're reimbursed?

Your employer may reimburse you for all or part of your moving expenses. Your employer may reimburse you for some expenses that are not deductible, and will likely treat that part of the reimbursement as wages on your W-2 form. Reimbursement for deductible expenses is not taxable, but does reduce your deduction for moving expenses on your return. So how you should treat the reimbursement on your return depends on how the reimbursement is reported on your Form W-2.

- If the reimbursement is only in box 12 with code P, and your moving expenses were more than that amount, you should file Form 3903 and claim all allowable expenses and report the reimbursement.
- If the reimbursement in box 12 is equal to your expenses, you do not need to file Form 3903 and claim the deduction, since you've been fully reimbursed.
- If your reimbursement is split between box 1 (wages) and box 12, and your expenses are more than what is in box 12, you should file Form 3903 with all expenses, but only report the reimbursements in box 12.
- If all of your reimbursement in box 1, you should file Form 3903 with all expenses, but do not report the reimbursements.