



Employee Business Expenses

Form 2106

Allowable vs. Not Allowable



First:
Apply Code Section 62
Does employee have
reimbursement policy?



Accountable & Non- Accountable Plans

- A reimbursement arrangement between an employee and employer must meet the requirements of business connection, substantiation and return of excess payments in order to be considered a reimbursement or other expense arrangement for purposes of Code Section 62(a)(2)(A)(Reg. 1.62-2(c)(1))



Accountable & Non- Accountable

- Accountable meets
- Reimbursed expenses excluded from employees gross wages (Not on W-2)
- No deduction for expenses
- Reg. 1.62-2(c)(4)
- Non-Accountable fails
- Amounts paid under the plan included in employees' gross wages (W-2)
- Itemized deductions subject to 2% floor
- Reg. 1.62-2(c)(5), 31.3121(a)-3(b)(2)



Code Section 274, 162, & 212

- 274 Paid or incurred
- Travel away from home (inc meals and lodging), entertainment exp, business gifts, and “listed property” exp
- Amount, time and place, business purpose
- 162 & 212 Ordinary & Necessary, Paid or incurred
- (162) Trade or Business
- (212) Production of income



Examples of Allowable

Expenses

Car and Truck Expense:

Standard vs. Actual

Travel Expenses:

Away overnight

Meals & Entertainment:

Limitation





2106 Line 4 Other Expenses

- Business Gifts
- Education (tuition and books)
- Home office
- Trade publications
- Job-related expenses



Expenses Not Required

- Refer back to Professionals
- Refer to Page 29 Pub. 463 Table 5
- Employee must verify plan
- No plan, all expenses taken must be verified as included in income box 1 of W-2



RESOURCES

- Publication 463: Travel, Entertainment, Gift, and Car Expenses
- Publication 535: Business Expenses
- www.irs.gov Under Forms and Pubs

