Employee Business Expenses

If you itemize deductions and are an employee, you may be able to deduct certain work-related expenses. The IRS has put together the following facts to help you determine which expenses may be deducted as an employee business expense.

Expenses that qualify for an itemized deduction include:

Business travel away from home

Business use of car

Business meals and entertainment

Travel

Use of your home

Education

Supplies

Tools

Miscellaneous expenses

You must keep records to prove the business expenses you deduct. For general information on recordkeeping, see IRS Publication 552, Recordkeeping for Individuals available on the IRS website, http://www.irs.gov, or by calling 800-829-3676.

If your employer reimburses you under an accountable plan, you do not include the payments in your gross income, and you may not deduct any of the reimbursed amounts.

An accountable plan must meet three requirements:

1. You must have paid or incurred expenses that are deductible while performing services as an employee.

2. You must adequately account to your employer for these expenses within a reasonable time period, and

3. You must return any excess reimbursement or allowance within a reasonable time period.

If the plan under which you are reimbursed by your employer is non-accountable, the payments you receive should be included in the wages shown on your Form W-2. You must report the income and itemize your deductions to deduct these expenses.

Generally, report expenses on IRS Form 2106 or IRS Form 2106-EZ to figure the deduction for employee business expenses and attach it to Form 1040. Deductible expenses are then reported on Form 1040, Schedule A, as a miscellaneous itemized deduction subject to 2% of your adjusted gross income rules. Only employee business expenses that are in excess of 2% of your adjusted gross income can be deducted.

For more information see IRS Publication 529, Miscellaneous Deductions available on the IRS website, http://www.irs.gov, or by calling 800-829-3676.