Military Moving Expenses
About Military Moving Expenses

• Additional resources listed in L&LT “References” tab
• Review all tips and cautions in the lesson
• Read all examples and sample interviews
• We will review answers to each exercise
Objectives – Military Moving Expenses

Determine:

• If a move qualifies as a permanent change of station (PCS)
• Which moving expenses are deductible
• When allowances and reimbursements must be included in income
• Time Required: 30 minutes
Topics

- Permanent Change of Station
- Deductible Moving Expenses
- Reimbursements
- Reporting Moving Expenses
Key Terms

Definitions are always available in the L&LT online Glossary.

- Cash Method
- PCS
- PPM
- Travel Expenses
Permanent Change of Station

• Only military moving expenses incurred as a result of a permanent change of station (PCS) may be deductible

• What is a PCS?
  • A move from home to the area of the first post of duty
  • A move from one permanent post of duty to another
  • A move from the last post of duty to home or to a nearer point in the U.S.

• If the Armed Forces moves a service member and spouse/dependents to or from separate locations, the expenses are combined and treated as a single move
Deductible Moving Expenses

• Qualifying military moving expenses include the cost of:
  • Moving household goods and personal effects
  • Reasonable travel and lodging expenses from the old home to the new home

• Qualifying deductible expenses are those that exceed government allowances and reimbursements

• Non-deductible moving expenses include costs of stopovers and side trips that are not the shortest, most direct route from the former home to the new home
Reimbursements

• The Armed Forces often provides an incentive payment equal to 95% of the government’s estimated cost for a Personally Procured Move (PPM)

• When the move is completed, the service member provides receipts to show authorized expenses

• Payments or reimbursements greater than qualified expenses is net profit, which is taxable and reported on a Form W-2

• PPM payments are entered as income on Form 1040, line 1

• What are examples of items included in gross pay and what are excluded items from gross pay (Pub 4012, Tab D, Income, Armed Forces Gross Income)
Reporting Moving Expenses

• If service members have expenses that exceed the amount they were reimbursed, they should complete Form 3903, Moving Expenses.

• Taxpayers can deduct their moving expenses in the year the expenses were paid or the year they were reimbursed.

• For more information, see the Instructions for Form 3903.
Summary

This lesson covered:

- Types of military moves that qualify for tax benefits
- What kinds of moving expenses are deductible
- How to use Form 3903 to compute moving expense deductions
- Moving expenses are deducted as an adjustment to income on Form 1040