



Military Moving Expenses





About Military Moving Expenses

- Additional resources listed in L< “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< 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

Adjustments to Income	23	24	25	26	27	28	29	30	31a	32	33	34	35	36	37
23 Educator expenses															
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106															
25 Health savings account deduction. Attach Form 8889															
26 Moving expenses for members of the armed forces. Attach Form 3903				2,000											
27 Deductible part of self-employment tax. Attach Schedule SE															
28 Self-employed SEP, SIMPLE, and qualified plans															
29 Self-employed health insurance deduction															
30 Penalty on early withdrawal of savings															
31a Alimony paid b Recipient's SSN ▶															
32 IRA deduction															
33 Student loan interest deduction															
34 Reserved															
35 Reserved															
36 Add lines 23 through 35															
37 Subtract line 36 from line 22. Enter here and on Form 1040, line 6															



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 [Pub 521](#), Moving Expenses

Form 3903		Moving Expenses		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		▶ Go to www.irs.gov/Form3903 for instructions and the latest information. ▶ Attach to Form 1040 or Form 1040NR.		2018 Attachment Sequence No. 170
Name(s) shown on return			Your social security number	
Before you begin: ✓ You can deduct moving expenses only if you are a Member of the Armed Forces and meet certain other requirements. See the instructions to find out if you qualify.				
1	Transportation and storage of household goods and personal effects (see instructions)	1		
2	Travel (including lodging) from your old home to your new home (see instructions). Do not include the cost of meals	2		
3	Add lines 1 and 2	3		
4	Enter the total amount the government paid you for the expenses listed on lines 1 and 2 that is not included in box 1 of your Form W-2 (wages). This amount should be shown in box 12 of your Form W-2 with code P	4		
5	Is line 3 more than line 4? <input type="checkbox"/> No. You cannot deduct your moving expenses. If line 3 is less than line 4, subtract line 3 from line 4 and include the result on Form 1040, line 1, or Form 1040NR, line 8. <input type="checkbox"/> Yes. Subtract line 4 from line 3. Enter the result here and on Schedule 1 (Form 1040), line 26, or Form 1040NR, line 26. This is your moving expense deduction	5		
For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 12490K Form 3903 (2018)				



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