2015

MOBILITY TAX GUIDE

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FOR THE 2014 TAX YEAR

ORION
MOBILITY

FOR MORE INFORMATION
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The Best Solution for your Success

Serving the relocation industry since 1987

Orion Mobility is the industry-leading provider of relocation software applications, tax compliance services, expense management and consulting support. Further, our best-in-class, secure solutions fully address the relocation expense management and tax gross-up requirements of every company, large to small, in-house to outsourced.

Founded in 1987, we "wrote the book" on corporate relocation tax compliance management. We partner with Human Resources, Payroll, Accounting and IT departments to deliver global connectivity, tax compliance and efficient transaction management.

For the past 27 years, corporate human resources, tax, payroll and relocation professionals have turned to Orion Mobility to provide professional development and industry expertise through our Annual Global Relocation Conference.

www.orionmobility.com

Introduction

The moving process is never an easy one, even if you move only one mile away.

When you relocate within the United States or to another country in order to work in a new location, there are even more details that you have to consider over the average move. You'll need to figure out which moving costs are deductible or not and what you can be reimbursed for by your employer during the relocation process.

If you take the time to carefully plan, prepare and keep track of your expenses, then the relocation process, no matter how close or far, can go smoothly. This tax book aims to assist in your transition with helpful tips on how to categorize your moving costs and maximize your tax deductions.

As you begin to read through this book and start your relocation process, make sure that you review your company's policies regarding reimbursements for moving costs. Expenses will fall into four possible categories: deductible from income, nondeductible from income, deductible as an itemized deduction or excludable from income.

Once you complete your taxes, review your tax preparer's work. It is your responsibility as the taxpayer to ensure that all information on your tax returns is accurate to the best of your knowledge and belief.

Remember that tax laws, like all laws, are often changing. In order to stay up-to-date with the most recent tax law information visit **www.irs.gov.**

Stay Up-to-Date on the Latest Industry News with Orion Mobility

As an industry leader in relocation software, tax compliance and expense management outsourcing, Orion Mobility keeps up with the latest news in these areas. Our experts know that these industries are constantly changing and evolving so we make sure to stay on top of all those developments. Through the Orion Mobility blog, we share those developments along with analysis and insight from individuals with years of tax and relocation experience. Our blog will help keep you up to date with all of the most recent updates and changes.

Check it out here:
www.orionmobility.com/#!blog/crzj

Social Media

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Tax Questions #OMtax

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Getting Started

Keep Organized

1) Ask Questions

Before you agree to a transfer with your company, review their relocation policy and ask any questions that you may have in regards to relocation. Maintain a file of your own with copies of office memos and any correspondence related to the move. It is vital to document your understanding of any relocation benefits, including your tax benefits for future reference.

2) Take Care of Business in Your New Location

Before you move, see if it's possible that you register to vote or register your car(s) at your new location. You should also apply for a new driver's license and any additional professional licenses that either you or your spouse may need in your new state.

Also, be sure that your payroll and relocation departments update your work state in their systems, as well as your new mailing address and phone number. In addition, your relocation department will likely need your correct marital status and 1040 exemption number (the number of exemptions you will claim when you file your Federal tax return, not the W-4 exemption number that is used for withholding purposes by payroll). In many cases, relocation might also need to know whether you are an itemizer or non-itemizer, which is often determined by your homeowner/renter status. This information can help provide a much more accurate gross-up calculation at year-end.

3) Open Bank Account

It can be helpful to open a personal checking account in your new location and transfer some funds into it. This will make paying for move-in expenses by check much easier for you. However, if the IRS audits you, a canceled check by itself is not enough to prove an expense and you will typically need a written statement to claim an expense.

4) Change Your Address

Open a post office box at your new location if you do not have a permanent mailing address yet. You can fill out a card at the post office to have your mail forwarded.

Be sure that you check tax returns from the previous year so that you don't forget to update your address with any organization that provides you with data for your tax returns, such as Subchapter S corporations, Partnerships or Trusts.

5) Keep Receipts and Records

Make sure that you keep a record of all receipts and documents that are involved in the move.

These records could include any of the following:

- Deductible and non-deductible expense receipts.
- Expense reports submitted to the company.
- Documents, such as leases, home sales, and purchases. Transfer these documents to your bank safe deposit box as soon as possible and maintain a list of what is in the box in a separate file in your home.
- Any donations.
- A log of car mileage, tolls and parking fees. If you choose not to use the standard mileage reimbursement rate (23.5 cents per mile if incurred in 2014) log how much oil and gas is used in the transportation to your new home.
- You may also want a file with any paperwork you submitted to the state you are relocating to such as a new state driver's license, car registration, professional licenses and possibly your post office box.

Keep Track

Make sure that you are fully reimbursed for the expenses that you submit. Look at supporting vouchers for payments received and match them up with the expense reports submitted.

Remember, some tax deductible expense receipts may not be reimbursable under your company's non accountable plan, but they may still be deductible moving expenses on your Federal tax return.

6) Write Down Expenses

Keep a close eye on your expenses. Once a week, write down any expense payments generated by the move that you do not have any receipts for. The IRS wants receipts but recognizes the fact that reasonable expenses are deductible and estimates may have to be made for certain circumstances. The records that you keep may be used to support reimbursements or tax return deductions.

7) Purge Worn-Out Items

Clear out additional space by getting rid of large bulky items that are in poor condition, such as an old boat, motorcycle or car. You can donate them to an established charity (make sure to get receipts) or, if possible, by trading them in at a dealership and having a newer model delivered to your home.

8) Take Stock

Inventory all the items you plan on having shipped throughout the moving process. A moving company will insist on preparing its own inventory, but it never hurts to have your own list to check against theirs. Photos of contents in the inventory can also be used as a backup to the written inventory. These photos become even more important if any item happens to be lost or damaged. When you take the inventory picture, put the front page of that day's newspaper in the forefront of each photo in order to document the date that the photo was taken with the item in pristine condition.

9) Irreplaceable Items

If you have something that insurance money cannot replace, like a family keepsake, pack it yourself and carry it along with you in the car on the move. You can deduct the cost of packing materials that you buy on your own to protect items like this.

10) Paying the movers

Before the movers leave your house, solidify your understanding of how the moving van company expects to be paid. Movers usually will give you a moving cost estimate if it is requested. There are two types of estimates: binding and non-binding.

- A binding estimate of the total cost must describe the shipment and all the services to be provided, and you will not have to pay more than the amount that is stated. This must be in writing and a copy must be given to you before the move. If you agree to a binding estimate, you are responsible for paying the charges that are due by cash, certified check, traveler's check or bank check at the time of delivery, unless the mover agrees before the move to extend credit or accept payment with a credit card. If you are unable to pay at the time the shipment is delivered, the mover may place your shipment in storage, at your expense, until the charges are paid.
- The movers can also provide a non-binding estimate of approximate cost of fees. This will give you a ballpark idea of the cost to move, but it does not bind the mover to the estimated cost. This means the final cost could end up being higher than the estimate. With that in mind, at the time of delivery the mover cannot require you to pay above 10% more than the original estimate that you were given.

2014 Tax Law Highlights

The American Taxpayer Relief Act of 2012

The American Taxpayer Relief Act of 2012 was enacted on January 2, 2013. The Act made permanent most of the temporary tax cuts enacted in 2001 and 2003. This included the lower income tax rates with the exception of the top rate for upper income levels, which returned to the 39.6% level. It also permanently patched the Alternative Minimum Tax (AMT) and extended other tax credits and deductions, several of which are described on the following pages.

Additional Medicare Tax and the Tax Levy on Unearned Income

Starting in 2013, Medicare withholding rates were increased for higher incomes. On top of the current 1.45% rate on all Medicare wages, payroll departments are now required to withhold an additional 0.9% on an employee's Medicare wages exceeding $200,000, regardless of the employee's tax filing status. When filing the 2014 1040 Federal tax return, taxpayers will reconcile their Medicare tax based upon total Medicare wages and possibly different thresholds. For those filing single or head of household, the threshold remains at $200,000, but for taxpayers filing married filing jointly, the threshold is $250,000 and if married filing separately, the threshold is $125,000. This tax will be reconciled by completing Form 8959 titled "Additional Medicare Tax". Any additional tax owed or due back will be either added to or subtracted from the Federal tax liability calculated on Form 1040.

Also starting in 2013, a 3.8% tax levy on unearned income was created on those filing single or head of household with modified adjusted gross income (MAGI) over $200,000, married filing joint returns with MAGI over $250,000, and married filing separate returns with MAGI over $125,000. This tax is levied on the lesser of the filer's unearned income versus the excess of MAGI over the threshold.

Phaseout of Itemized Deductions and Exemptions

For 2014, the value of itemized deductions and exemptions are reduced for adjusted gross incomes exceeding $254,200 if single, $305,050 if married filing jointly, $279,650 if head of household and $152,525 if married filing separately. For more information, please see the Schedule A and its instructions.

Medical Deductions

The threshold was increased, starting in 2013, for those taking medical deductions on the Schedule A. Previously, deductions were available on costs exceeding 7.5% of gross income. Starting last year, that percentage increased to 10%. The rate temporarily remains at 7.5% if the taxpayer or spouse is 65 or older, but will become 10% for all beginning in 2017. Please see the Schedule A and its instructions for more information.

Sales Tax Deduction

Since 2004, taxpayers who itemize their deductions have had the option of deducting either their state/local income tax or state/local sales tax paid by completing the Schedule A. This credit has especially benefited those who live in a state with no income tax. This credit was extended for 2012 and 2013 thanks to the passing of the American Taxpayer Relief Act of 2012, but the deduction is currently unavailable in 2014 unless it's extended late in the year, retroactive to 1/1/14.

If available, a taxpayer has the option of two methods for taking the sales tax deduction. One method is to deduct the actual sales tax paid by keeping all receipts. The other method is to use the optional sales tax tables provided by the IRS and adding any sales tax paid for the purchase of a car, boat, aircraft, and/or house, as well as any substantial addition or renovation of a home.

For more information, please see the IRS Instructions for Schedule A.

Payback of the 2008 Homebuyer Tax Credit

The 2008 credit is similar to a 15-year interest-free loan. This credit is normally paid back in fifteen equal installments starting with the second year after the credit was received, which for most was the 2010 Federal tax return filed in 2011. If the home is either sold or is no longer the main home before the credit is fully paid back, the remaining balance may need to be repaid on the Federal return for the year the home is no longer the main residence. The payback amount would be the lesser of the amount of gain on the sale versus the remaining balance, but there are a few exceptions to this rule.

For a list of exceptions and for more information, please see IRS Form 5405 and its instructions, IRS Publication 17 and IRS Publication 530.

Education

There are a number of tax credits, deductions and savings plans available to taxpayers with higher education expenses. Many of the credits and deductions are not available to those filing married filing separately. The American Taxpayer Relief Act of 2012 made permanent or extended many of these tax incentives.

First, the American Opportunity Tax Credit (a modification of the Hope Credit) was set to expire after 2012 but was extended through 2017 by the American Taxpayer Relief Act of 2012. This credit is available to more taxpayers and adds required course materials to the list of qualified expenses. The credit is available for all four post-secondary years. The maximum credit is $2,500 per student, with 100% of the first $2,000 plus 25% of the following $2,000 in qualified education expenses available as a credit. The credit starts to phase out for modified adjusted gross incomes over $80,000, $160,000 if MFJ, and completely phases out when income levels reach $90,000, $180,000 if MFJ.

Meanwhile, the Lifetime Learning Credit is also available in 2014. Most taxpayers may be able to claim a Lifetime Learning Credit of 20% of qualified education expenses paid for those in eligible education institutions (maximum of $2,000 in tax credits). A taxpayer cannot claim both the Hope / American Opportunity Credit and the Lifetime Learning Credit for the same student in the same year. The Lifetime Learning Credit has no limit on the number of years. The phase out starting points in 2014 are $54,000, $108,000 if MFJ and the credit completely phases out when income levels reach $64,000, $128,000 if MFJ. Both the American Opportunity Credit and the Lifetime Learning Credit are calculated by completing Form 8863.

Tuition and fee deductions were available of up to $4,000 by completing Form 8917. These deductions expired after 2013. They were expected to be extended for 2014 but as of mid-November, they have not been. They were available even for those who do not itemize deductions on the Schedule A. Generally, a taxpayer could take one of the education credits or this deduction, whichever gives the lower tax burden. This phase out starting points were $65,000, $130,000 if MFJ in 2013 and completely phased out when income levels reached $80,000, $160,000 if MFJ. Please see the IRS's website for the latest updates.

IRS Publication 970 "Tax Benefits for Education" provides a lot more detail on the credits and deductions mentioned above, as well as other credits, deductions and savings plans available for education-related expenses. IRS Forms 8863 "Education Credits" and 8917 "Tuition and Fees Deduction" and the Schedule A also provide additional information.

Who Can Deduct Moving Costs?

Deductible moving expenses include; the cost of moving household goods from your old location to the new location, one 30-day period of storage (no limit on the number of days if the move has an international destination), and one trip per family member from the old location to new location. In order to take a deduction for these expenses, you must pass all three of the following IRS tests/requirements:

1) Distance test:

The distance of your new main job location must be at least 50 miles further from your former home than your old job location was from your former home. When determining these distances, use the shortest of the more commonly traveled routes. If you are going to work full time for the first time or if you are returning to work after a substantial period of part-time work or unemployment, then your new place of work must be at least 50 miles from your former home.

2) Time test:

If you are an employee, to claim the deduction, you must work full time at your new location for at least 39 weeks during the first 12 months. You do not have to work for the same employer for all 39 weeks and you do not have to work 39 weeks in a row. To claim the deduction if you are self-employed, you must work full time at your new location for at least 78 weeks during the first 24 months. You do not have to work for the same employer or be self-employed in the same trade or business for all 78 weeks and you do not have to work 78 weeks in a row.

The IRS does allow certain exceptions if you fail to meet the time test. For instance, if you moved with the expectation that you would work at the new location for at least one year but then the employer unexpectedly moves you for the benefit of the company prior to meeting the one-year test, you would still pass this test. Another allowable exception is a case where you are laid off for a reason other than willful misconduct. A few other allowable exceptions are discussed in IRS Publication 521.

3) Move related to the start of work – closely related in time and place:

You can generally deduct moving expenses incurred within one year from the date you first reported to work at the new location. The IRS allows exceptions beyond one year if you can show that circumstances existed that prevented the move from being completed within one year. For example, if the move was delayed 18 months so that one of the children could graduate high school at the old location, the IRS allows this as an exception.

Also, the IRS expects that your new home will be closer to the new job location than your old home was to the new job location.

What Counts as a Moving Cost?

If your move passes all of these tests, then it is considered a qualified move. With a qualified move, most moving costs are considered deductible. Below are lists of common deductible moving expenses:

Household Goods and Personal Effects

Deductible costs include:

- The shipment of household goods and personal effects from your former home to your new home.
- Moving all of your personal vehicles to the new location. If you drive them yourself, or use them to move your household goods or personal effects, you have the option of deducting either the actual cost of gas, oil, tolls and parking, or the final move mileage rate, tolls and parking. For 2014, the mileage rate is $0.235/mile.
- Connecting or disconnecting utilities because you are moving your household goods and appliances.
- Shipping a boat.
- Disassembling and then re-assembling a swing set.
- Shipping your household pets to your new location.
- A self-haul truck plus gas, oil, tolls and parking.
- Tips to the movers.
- Boxes and tape that were used to wrap up your household goods and personal effects.
- Moving your household goods from a place other than your former home, but the deduction is limited to the amount it would have cost if you moved them from your former home.
- Storing and insuring household goods for one period of 30 consecutive days. However, if your move has an international destination, then there is no limit on the number of deductible days.

Important Note: You cannot deduct the cost of moving any furniture that you buy while traveling to the new location.

Travel Expenses

Deductible costs include:

- One trip is allowed from the old home to the new home for each member of the household. This includes anyone who lives in both the old home and the new home. It does not include tenants or employees, unless that person is a dependent. Each member does not need to travel to the new location at the same time. It is expected that the trip will be the shortest, most direct route available by conventional transportation. While traveling to the new location, any stopovers or side trips are not deductible.
- Airfare or train tickets to the new location.
- Cab fare to and from the airport.
- If you drive your personal vehicle to the new location, you have the option of deducting either the actual cost of gas, oil, tolls and parking, or the mileage rate, tolls and parking. The 2014 mileage rate is $0.235/mile.
- Lodging while traveling from the old to the new location.
- Lodging in the old location within one day after you could no longer live in your old home because your furniture has been moved.
- Expenses for the day you arrive at the new location.
- Meals are not deductible.

How to Handle Deductible Expenses on Tax Forms

- **Employer reimbursing a vendor.** If your employer reimburses a vendor directly for a deductible moving expense, it should not show anywhere on your W-2. This payment is considered excludable and no further deduction should be taken. Also, do not report this expense anywhere on IRS Form 3903.
- **Employer reimbursing you.** If your employer reimburses you for a receipted deductible moving expense, it should show on your W-2 but only in box 12 preceded by the letter P. If box 12 preceded by the letter P has a dollar amount, then you are required to complete IRS Form 3903 and report this amount on that form. Once again, no further deduction should be taken.
- **Non-reimbursed expenses.** If your employer does not reimburse you for a deductible moving expense that you paid for, then you can take a deduction for this expense by completing IRS Form 3903.

Anatomy of a "Gross-Up"

When you are reimbursed for a nondeductible relocation expense (such as meals or expenses from a non-qualified move), the reimbursement becomes a taxable income burden to the employee. Gross-up is a technique some employers use to ensure employees do not pay more of their own money on personal income taxes on a transfer.

Gross-up came into play when Congress tried to limit companies from providing overly generous relocation benefit packages. Congress ruled that the basic necessities of a move, such as the shipment of household goods and one-way trips of members of the household, should be tax deductible. Congress also decided that all other relocation expenses, such as house-hunting trips and temporary living lodging, should be nondeductible expenses.

This means an employee who accepts a transfer typically ends up owing taxes on relocation expenses that are not deductible. To make up for this, many companies gross up the reimbursement to cover the taxes. By grossing up, the intent is to reduce or eliminate the additional tax burden incurred as a result of nondeductible relocation expenses.

To do this, an employer uses a simple formula: (tax rate / (1 – tax rate)). To reimburse someone who falls into the 28% tax bracket, the employer would reimburse the transferee an additional $0.39 for every dollar of nondeductible reimbursement: (28% / (1 – 28%)) or 38.89%. Keep in mind that this additional reimbursement is considered taxable income to the employee. By paying an additional $0.39 rather than $0.28, the employer will cover this tax on tax burden.

TAX ASSISTANCE

Expense Amount:	$10,000
Tax Assistance (68.492%):	$6,849
Gross Payment:	$16,849

WITHHOLDING

GROSS PAYMENT:	$16,849.15
Fed WH @28%:	$4,717.74
State WH @5%:	$842.45
Med WH @1.45%:	$244.31
OASDI WH @6.2%:	$1,044.65
Total Withholding:	$6,849.15
NET PAID:	$10,000

Gross-ups are calculated in various ways. A common approach is to calculate what the Federal, State, FICA, and Local taxes would have been if the employee had not relocated and compare it to the actual calculations with the move. The difference in taxes would make up most of the gross-up, and as mentioned earlier, the gross-up would then be grossed up (tax on tax) to come up with a final gross-up amount.

USA Federal 2014 Tax Brackets

SINGLE RATES

$0	$9,075	10%	+$0.00
$9,075	$36,900	15%	+$907.50
$36,900	$89,350	25%	+$5,081.25
$89,350	$186,350	28%	+$18,193.75
$186,350	$405,100	33%	+$45,353.75
$405,100	$406,750	35%	+$117,541.25
$406,750	+	39.6%	+$118,118.75

MARRIED, FILING JOINTLY

$0	$18,150	10%	+$0.00
$18,150	$73,800	15%	+$1,815.00
$73,800	$148,850	25%	+$10,162.50
$148,850	$226,850	28%	+$28,925.00
$226,850	$405,100	33%	+$50,765.00
$405,100	$457,600	35%	+$109,587.50
$457,600	+	39.6%	+$127,962.50

MARRIED, FILING SEPARATELY

$0	$9,075	10%	+$0.00
$9,075	$36,900	15%	+$907.50
$36,900	$74,425	25%	+$5,081.25
$74,425	$113,425	28%	+$14,462.50
$113,425	$202,550	33%	+$25,382.50
$202,550	$228,800	35%	+$54,793.75
$228,800	+	39.6%	+$63,981.25

HEAD OF HOUSEHOLD

$0	$12,950	10%	+$0.00
$12,950	$49,400	15%	+$1,295.00
$49,400	$127,550	25%	+$6,762.50
$127,550	$206,600	28%	+$26,300.00
$206,600	$405,100	33%	+$48,434.00
$405,100	$432,200	35%	+$113,939.00
$432,200	+	39.6%	+$123,424.00

USA Federal 2014 Tax Brackets (continued)

Deduction per exemption	$3,950

STANDARD DEDUCTIONS

Single	Married, Filing Jointly	Married, Filing Separately	Head of Household
$6,200	$12,400	$6,200	$9,100

CHILD TAX CREDIT

A credit of $1,000 per dependent child under the age of 17 as of 12/31/14 is available in 2014. The credit phases out at a rate of $50 for every portion of $1,000 that the adjusted gross income exceeds the following thresholds.

Single	Married, Filing Jointly	Married, Filing Separately	Head of Household
$75,000	$110,000	$55,000	$75,000

Deductions and Credits

Loss of deductions and credits

You might not be able to take some itemized deductions, exemption deductions and tax credits that are limited or lost completely if your income exceeds certain limits. Some other credits and deductions that have income limits include the Child Tax Credit, Adoption Credit, and several education-related deductions and credits. Also, if your income exceeds certain limits, you won't be able to make contributions to a Roth IRA or a Coverdell ESA (Education IRA).

Charitable contributions

When planning a move, you might want to consider donating unwanted furniture, appliances and personal items. Rather than discard them, this is a good time to make a contribution to a qualified charity. Qualified donations can be taken as a tax deduction by completing IRS Schedule A.

For a contribution of $250 or more, you will need a written statement from the charitable organization showing the amount of money or description of the property donated and whether you received any goods or services in return.

For cash contributions, you must maintain a record of the contribution (such as a canceled check or credit card statement) or a written statement from the charity regardless of the amount donated.

For non-cash contributions in excess of $500, you must complete IRS Form 8283.
For contributions in excess of $5,000, a written appraisal may be required.

IRS Publication 526 explains how to take a deduction for a charitable donation. It also discusses which organizations qualify for deductible donations, how much you can deduct, different types of contributions that you can deduct, what records to keep and how and where to report these deductions. Also, see Publication 78 for a list of most qualified organizations. Another useful document is Publication 561, which helps with determining the value of donated property. All three publications are available at **www.irs.gov.**

Donating a Car

If you donate a car or other vehicle to charity, the deductible amount is typically the amount that the charity receives when it sells the vehicle if the claimed value is more than $500. In that case, after the car is sold, the charity should provide a Form 1098-C informing you of the correct amount to deduct. Previously, taxpayers were allowed to deduct a fair estimate of their vehicle's value but that is no longer the case for vehicles valued at more than $500. For an estimate of your car's value, you can go to the Kelley's Blue Book website: **www.kbb.com.**

Save receipts and expense reports
Be sure to keep all receipts and copies of all expense reports submitted for your moving expenses, especially items that you plan to deduct.

Forwarding mail
The U.S. Postal Service allows you to forward mail on the Internet at www.moversguide.usps.com. First-Class mail can be forwarded for up to one year.

Refinanced your mortgage
If you refinanced your mortgage on the home you are selling and you paid points at the time of refinancing, you may deduct the remaining balance of discount points on this year's tax return. The remaining balance is deducted as home mortgage interest on the Schedule A.

Completing IRS Form 3903

IRS Form 3903 is a one-page document. You should start by completing the distance test worksheet in the instructions. This test will determine whether you meet the 50-mile requirement. If you don't, then you cannot deduct any moving expenses.

For line 1, you should enter the amount of "Transportation and storage of household goods and personal effects" that was paid for by you. This includes items that were reimbursed to you by your employer (included in box 12 of the W-2 preceded by the letter P). It should not include any expenses paid directly to a vendor by your employer, such as a van line bill. Remember, if you didn't move to a foreign country, then you are limited to one 30-day period of storage as deductible. Also, if you used your personal vehicle to move household goods, you can deduct either the actual cost of gas, oil, tolls and parking or the mileage, tolls and parking. For 2014 mileage, the deductible rate is $0.235/mile.

For line 2, you should enter the cost of one trip to the new location per household member that was paid for by you. Again, this might include items that were reimbursed to you by your employer (included in box 12 of the W-2 preceded by the letter P). It should not include any expenses paid directly to a vendor by your employer. Also, for cars driven to the new location, you can deduct either the actual cost of gas, oil, tolls and parking or the mileage, tolls and parking. Do not include any meals, as they are considered nondeductible. Again for 2014 mileage, the deductible rate is $0.235/mile.

Line 3 is the sum of lines 1 and 2.

For line 4, enter the amount showing in box 12 of the W-2 preceded by the letter P. This should be the amount of deductible moving expenses reimbursed to you by your employer.

Line 3 minus line 4 is equal to line 5. This is the amount that you can deduct in moving expenses. This amount is then carried to the appropriate line on IRS Form 1040. Even if the amount is $0, you are still required to attach this form to your IRS Form 1040 if there is a dollar amount on line 4.

RELOCATION TAX REPORT SAMPLE

Relocation Tax Report

Employee Moving Expense Report

Expenses Dated: 01/01/2014 to 12/31/2014

John Smith Employee #: 6789

Calculation Assumptions

Filing Status:	MARRIED, FILING JOINTLY	**Federal Income:**	$120,000.00
# Of Federal Exemptions:	4	**401K Deduction:**	$0.00
# Of Dependents:	2	**State Income:**	$120,000.00
State:	Illinois	**FICA Wage:**	$120,000.00

Expense Reimbursements

Taxable:	$14,097.50	**Business Excludable:**	$12,000
FICA Only (I):	$3,000.00	**Excludable** (III):	$69.00
Taxable Not Grossed-up:	$0.00	**Tracking Only:**	$0.00
Sum of All Gross-up:	$6,322.99	**Property Expenses / Business:**	$55,291.00
Total Relocation Wages (II):	$23,420.49		

I. Expenses usually deductible
II. Reported W-2 Box 1
III. Reported W-2 Box 12, Code P / Usually Included on IRS form 3903

Description	Date	Reference	Paid To	Amount	Tax Category
Sum of All Gross-up	12/31/2014	2014	Employee	$6,322.99	Memo
New Residence Points	09/17/2014	Inv # 1234 2%	New Bank	$3,000.00	FICA Only
New Residence Closing	09/17/2014	Inv # 1234	New Bank	$2,450.00	Taxable
Temporary Living	08/01/2014	August Rent	Apartment Rentals	$3,000.00	Taxable
Storage over 30 days	08/01/2014	Inv # 0456986	ABC Van Lines	$550.00	Taxable
Transit Costs	07/27/2014	Inv # 0401972	ABC Van Lines	$12,000.00	Business Excludable
Final Billing	07/25/2014	Inv 981234	3rd Party Relocation Company	$55,291.00	Property
Taxable Final Move Mileage	07/07/2014	Auto one way	Employee	$97.50	Taxable
Excludable Move Mileage	07/07/2014	Auto one way	Employee	$69.00	Excludable
Settling in Services	04/01/2014	Full Service	123 Services	$3,500.50	Taxable
House Hunting	04/01/2014	Car Rental	Employee	$2,499.50	Taxable
Lump Sum	03/15/2014	Relocation Bonus	Employee	$2,000.00	Taxable
Total Expenses:				**$90,780.49**	

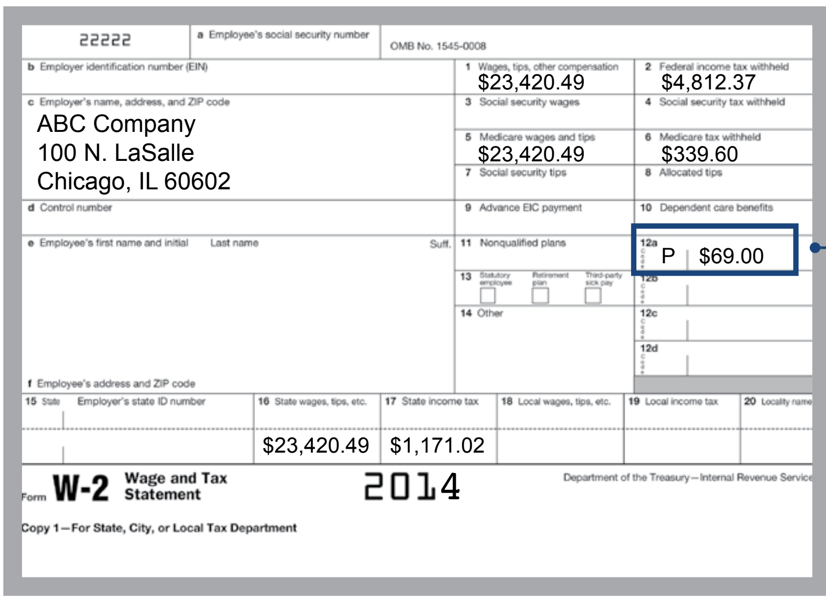
Year-end Tax Assistance Information	
Federal Tax	$4,812.37
State Tax	$1,171.02
Local/Special Tax	$0.00
FICA (OASDI)	$0.00
FICA (Medicare)	$339.60
Total:	**$6,322.99**

Example – completing Form 3903

The sample W-2 shown below represents John Smith's relocation earnings only. A typical W-2 would show your regular income and relocation earnings but for the purposes of this exercise it only represents your relocation dollars.

On the previous page is a copy of John Smith's Relocation Tax Report that his employer provided to him. Your document might look different but have similar information. This report normally summarizes the reimbursed expenses, shows which reimbursements are taxable, excludable or not reportable, and provides a breakdown of the gross-up.

RELOCATION W-2 FORM SAMPLE



22222 | a Employee's social security number | OMB No. 1545-0008

b Employer identification number (EIN)

1 Wages, tips, other compensation: $23,420.49

2 Federal income tax withheld: $4,812.37

c Employer's name, address, and ZIP code: ABC Company, 100 N. LaSalle, Chicago, IL 60602

3 Social security wages

4 Social security tax withheld

5 Medicare wages and tips: $23,420.49

6 Medicare tax withheld: $339.60

7 Social security tips

8 Allocated tips

d Control number

9 Advance EIC payment

10 Dependent care benefits

e Employee's first name and initial | Last name | Suff.

11 Nonqualified plans

12a P | $69.00

13 Statutory employee | Retirement plan | Third-party sick pay

12b

14 Other

12c

12d

f Employee's address and ZIP code

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
		$23,420.49	$1,171.02			

Form **W-2** Wage and Tax Statement **2014** Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

BOX 12

When looking at the W-2, the amount showing in box 12 of the W-2 preceded by the letter P ($69.00 in our example) represents the amount of deductible moving expenses that your employer reimbursed directly to you. In our example, this amount is also shown on our Relocation Tax Report as "excludable move mileage". This amount will need to be entered on line 4 of the Form 3903 (shown on page 20).

Example – completing Form 3903

On line 1 of Form 3903, enter the amount of deductible transit and storage costs that you paid, regardless of whether your employer reimbursed you for them. In our example, the employer did not directly reimburse John Smith for any of these costs, but the transferee did give the movers a $100 tip, so we will enter $100 on line 1.

On line 2, enter the amount of deductible final move expenses that you paid, regardless of whether your employer reimbursed you for them. In our example, John Smith had $69.00 of deductible final move mileage.

The sum of lines 1 and 2 is entered on line 3 ($169.00). As mentioned above, you will need to enter the W-2 box 12-P amount on line 4 ($69.00). This amount is then subtracted from the line 3 amount and entered on line 5 ($100). This is the amount that you are able to deduct. You then need to enter this amount on line 26 of your IRS Form 1040.

FORM 3903 SAMPLE

Form **3903** — Department of the Treasury, Internal Revenue Service (99)

Moving Expenses

► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074 — **2014** — Attachment Sequence No. 62

Name(s) shown on return: John Smith — Your social security number

Before you begin: ✓ See the **Distance Test** and **Time Test** in the instructions to find out if you can deduct your moving expenses.
✓ See **Members of the Armed Forces** in the instructions, if applicable.

1	Transportation and storage of household goods and personal effects (see instructions)	1	100 00
2	Travel (including lodging) from your old home to your new home (see instructions). **Do not** include the cost of meals	2	69 00
3	Add lines 1 and 2	3	169 00
4	Enter the total amount your employer 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	69 00
5	Is line 3 **more than** line 4? ☐ **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 7, or Form 1040NR, line 8. ☐ **Yes.** Subtract line 4 from line 3. Enter the result here and on Form 1040, line 26, or Form 1040NR, line 26. This is your **moving expense deduction**	5	100 00

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 12490K Form **3903** (2014)

LINE 1
LINE 2
LINE 3

Alternative Minimum Tax (AMT)

Originally written in 1969, the Alternative Minimum Tax was created to limit deductions that wealthy Americans could take on their income tax returns. In 1970, only about 19,000 taxpayers owed the AMT.

The problem that arose from this is that Congress never accounted for inflation, so millions of taxpayers have recently been hit by the AMT.

Finally as part of the American Taxpayer Relief Act of 2012, inflation adjustments were permanently added to the AMT, meaning these amounts will automatically increase each year based upon the Consumer Price Index. Congress won't need to pass annual patches anymore. For 2014, the exemptions are $82,100 if married filing jointly, $52,800 if single or head of household, and $41,050 if married filing separately.

The AMT calculation is very complicated and many taxpayers don't know if they will have to pay it until after completing their tax returns and calculating their taxes. To determine if AMT is owed, IRS Form 6251 needs to be completed. A taxpayer basically ends up paying the higher of the regular tax calculation or this minimum tax.

Since the AMT calculation is so complex, it is impossible for companies to accurately factor the AMT into their year-end gross-up calculations. Understandably, the AMT most likely will not be factored into your gross-up calculation. Until the actual tax return is completed, there is no way to tell if relocation had a positive or negative effect on your taxes.

State Tax Returns

Where to File

Most states require withholding in the state where income is earned (the work state). Generally, you must file an income tax return for the work state. If you are a non-resident of that state, then you will normally also file an income tax return for your state of residence. In most of these cases, the tax paid in the work state can be taken as a tax credit on the resident state tax return.

Some states have entered into reciprocal agreements. For states with reciprocal agreements, you will only be subject to income tax in the residence state and not in the work state. States with reciprocal agreements have provisions that exempt you from having withholding taken in the work state.

Meanwhile, there are nine states that require no income tax on an individual's earned income: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming.

During the relocation process, you may have earned wages in more than one state. In which case, part-year state tax returns are normally required for each state.

2014 State Reciprocal Agreements	D.C.	Illinois	Indiana	Iowa	Kentucky	Maryland	Michigan	Minnesota	Montana	New Jersey	North Dakota	Ohio	Pennsylvania	Virginia	West Virginia	Wisconsin
D.C.						■								■		
Illinois				■	■		■									■
Indiana					■		■					■	■			■
Iowa		■														
Kentucky		■	■				■					■		■	■	■
Maryland	■												■	■	■	
Michigan		■	■		■			■				■				■
Minnesota							■				■					
Montana											■					
New Jersey													■			
North Dakota								■	■							
Ohio			■		■		■						■		■	
Pennsylvania			■			■				■		■		■	■	
Virginia	■				■	■							■		■	
West Virginia					■	■						■	■	■		
Wisonsin		■	■		■		■									

Source: www.payroll-taxes.com

State Income Taxes

Getting Started

When you are starting your state income taxes, it is important to carefully read instructions regarding accounting for or deducting moving expenses before filing returns since tax rules change from state to state. The IRS provides links to all states' department of revenue. For more information on each state's taxes visit: http://www.officialusa.com/irs/index.html.

Part-year state tax returns can be difficult and you might want to seek professional assistance.

State Tax Differences

- Not all states allow a deduction for items such as new residence points, mortgage interest or property taxes. For Federal, these items are deductible on the Schedule A but some states do not allow you to deduct such expenses on the state tax return. These states include: Connecticut, Illinois, Indiana, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania and Rhode Island. Meanwhile, Louisiana allows a portion as a tax deduction while Utah and Wisconsin allow a portion as a tax credit.
- Final move meals are considered nondeductible for Federal tax purposes. Most states follow that logic with the exception of two states: Pennsylvania and New Jersey. New Jersey allows you to exclude final move meals from taxable income while Pennsylvania allows a tax deduction.
- Six states allow at least a partial deduction of Federal tax on their state tax returns. Alabama and Iowa allow you to deduct your Federal tax. Meanwhile, Louisiana, Missouri, Montana and Oregon have limits on the amount of the deduction.
- While most states follow the Federal's 50-mile distance test, there is one exception. Pennsylvania only requires a minimum distance of 35 miles to meet the distance test for state tax purposes.

2014 STATE INCOME TAX RATES (SUBJECT TO CHANGE)

Alabama	2.0% - 5.0%	Kentucky	2.0% - 6.0%	North Dakota	1.22% -3.22%
Alaska	0%	Louisiana	2.0% - 6.0%	Ohio	0.528% - 5.333%
Arizona	2.59% - 4.54%	Maine	6.50% - 7.95%	Oklahoma	0.50% - 5.25%
Arkansas	0.9% - 7.0%	Maryland	2.00% - 5.75%	Oregon	5.0% - 9.9%
California	1.0% - 13.3%	Massachusetts	5.2%	Pennsylvania	3.07%
Colorado	4.63%	Michigan	4.25%	Rhode Island	3.75% - 5.99%
Connecticut	3.0% - 6.7%	Minnesota	5.35% - 9.85%	South Carolina	3.0% - 7.0%
Delaware	2.2% - 6.6%	Mississippi	3.0% - 5.0%	South Dakota	0%
D.C.	4.00% - 8.95%	Missouri	1.5% - 6.0%	Tennessee	0%
Florida	0%	Montana	1.0% - 6.9%	Texas	0%
Georgia	1.0% - 6.0%	*Nebraska	2.46% - 6.84%	Utah	5.0%
Hawaii	1.4% - 11.0%	Nevada	0%	**Vermont**	**3.55% - 8.95%**
Idaho	1.6% - 7.4%	New Hampshire	0%	**Virginia**	**2.00% - 5.75%**
Illinois	5.0%	New Jersey	1.40% - 8.97%	**Washington**	**0%**
Indiana	3.4%	New Mexico	1.7% - 4.9%	**West Virginia**	**3.0% - 6.5%**
Iowa	0.36% - 8.98%	New York	4.00% - 8.82%	**Wisconsin**	**4.40% - 7.65%**
Kansas	2.7% - 4.8%	North Carolina	5.8%	**Wyoming**	**0%**

* Nebraska has a surtax in addition to the tax rates listed.

Global Moves

Foreign Earned Income Exclusion

United States citizens and resident aliens are taxed on their worldwide income, whether the person lives inside or outside of the United States. However, qualifying U.S. citizens and resident aliens who live and work abroad may be able to exclude from their income all or part of their foreign salary or wages, or amounts received as compensation for their personal services. In addition, they may also qualify to exclude or deduct certain foreign housing costs.

A common misconception that contributes to the international tax gap is that this potentially excludable foreign earned income is exempt income not reportable on a US tax return. In fact, only a qualifying individual with qualifying income may elect to exclude foreign earned income and this exclusion applies only if a tax return is filed and the income is reported.

General Rule

To qualify for the foreign earned income exclusion, a U.S. citizen or resident alien must:

- Have foreign earned income (income received for working in a foreign country),
- Have a tax home in a foreign country,
- Meet either the bona fide residence test or the physical presence test

Tax Home

Your tax home is the general area of your main place of business, employment, or post of duty where you are permanently or indefinitely engaged to work. You are not considered to have a tax home in a foreign country for any period during which your abode is in the United States. However, if you are only temporarily present in the United States, or maintain a dwelling there, it does not necessarily mean that your abode is in the United States. For details, see IRS Publication 54.

Foreign Country

A foreign country, for this purpose, means any territory under the sovereignty of a government other than that of the United States. It includes the country's territorial waters (determined under U.S. laws) and air space, but not international waters and the airspace above them. A foreign country also includes the seabed and subsoil of those submarine areas that are adjacent to the territorial waters of the foreign country and over which it has exclusive rights under international law to explore and exploit natural resources. For this purpose, U.S. possessions or territories and the Antarctic region are not foreign countries.

Waiver of Time Requirements

You may not have to meet the minimum time requirements of at least 330 full days during any period of 12 consecutive months for bona fide residence or physical presence if you have to leave the foreign country because war, civil unrest, or similar adverse conditions in the country prevented you from conducting normal business. However, you must be able to show that you reasonably could have expected to meet the minimum time requirements if the adverse conditions had not occurred.

Exclusion Amounts and Limits

The foreign earned income exclusion amount is adjusted annually for inflation, beginning with the 2006 tax year. For 2014, the maximum foreign earned income exclusion is up to $99,200 per qualifying person. If married and both individuals work abroad and both meet either the bona fide residence test or the physical presence test, each one can choose the foreign earned income exclusion. Together, they can exclude as much as $198,400 for the 2014 tax year.

In addition to the foreign earned income exclusion, qualifying individuals may also choose to exclude or deduct from their foreign earned income a foreign housing amount. Starting with the 2006 tax year, the amount of qualified housing expenses eligible for the housing exclusion and housing deduction is limited. The limitation on housing expenses is generally 30% of the maximum foreign earned income exclusion. For 2014, the housing amount limitation is $29,760 for the tax year.

However, the limit will vary depending upon the location of the qualifying individual's foreign tax home and the number of qualifying days in the tax year.

The foreign earned income exclusion is limited to the actual foreign earned income minus the foreign housing exclusion. Therefore, in order to exclude a foreign housing amount, the qualifying individual must first figure out the foreign housing exclusion before determining the amount for the foreign earned income exclusion.

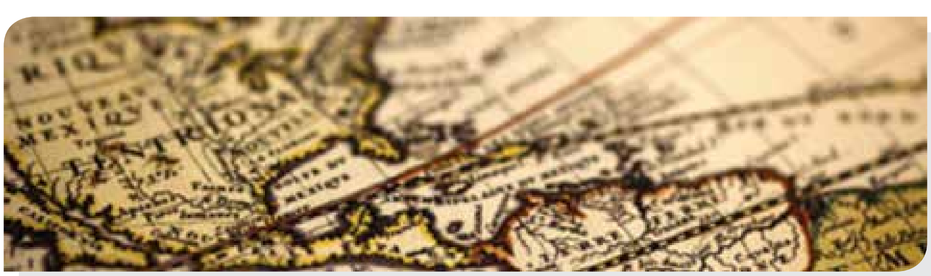
How to Claim the Exclusion

Since the foreign earned income exclusion is voluntary, qualifying individuals must choose to claim the exclusion. The foreign earned income exclusion and the foreign housing cost amount exclusion are claimed and calculated using IRS Form 2555, which must be attached to IRS Form 1040. However, if only the foreign earned income exclusion is claimed, a shorter IRS Form 2555-EZ may be used instead. Once the choice is made to exclude foreign earned income, that choice remains in effect for the year the election is made and all later years, unless revoked.

Other Rules

Not considered foreign earned income: Foreign earned income does not include the following amounts:

- Pay received as a military or civilian employee of the U.S. Government or any of its agencies
- Pay for services conducted in international waters (not a foreign country)
- Pay in specific combat zones, as designated by an Executive Order from the President, that is excludable from income
- Payments received after the end of the tax year following the year in which the services that earned the income were performed
- The value of meals and lodging that are excluded from income because it was furnished for the convenience of the employer
- Pension or annuity payments, including social security benefits



Self-employment income: A qualifying individual may claim the foreign earned income exclusion on foreign earned self-employment income. The excluded amount will reduce the individual's regular income tax, but will not reduce the individual's self-employment tax. Also, the foreign housing deduction – instead of a foreign housing exclusion – may be claimed.

Figuring the tax: A qualifying individual claiming the foreign earned income exclusion, the housing exclusion, or both, must figure the tax on the remaining non-excluded income using the tax rates that would have applied had the individual not claimed the exclusions.

Foreign tax credit or deduction: Once the foreign earned income exclusion is chosen, a foreign tax credit, or deduction for taxes, cannot be claimed on the income that can be excluded. If a foreign tax credit or tax deduction is claimed for any of the foreign taxes on the excluded income, the foreign earned income exclusion may be considered revoked.

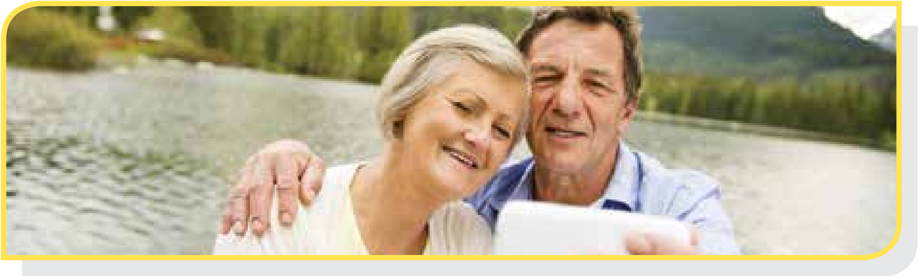
Earned income credit: Once the foreign earned income exclusion is claimed, the earned income credit cannot be claimed for that year.

Timing of election: Generally, a qualifying individual's initial choice of the foreign earned income exclusion must be made with one of the following income tax returns:

- A return filed by the due date (including any extensions),
- A return amending a timely-filed return. Amended returns generally must be filed by the later of 3 years after the filing date of the original return or 2 years after the tax is paid, or
- A return filed within 1 year from the original due date of the return (determined without regard to any extensions)

Revoking the exclusion: A qualifying individual has the ability to revoke an election to claim the foreign earned income exclusion for any year. This is done by attaching a statement to the tax return revoking one or more previously made choices. The statement must specify which choice(s) are being revoked, as the election to exclude foreign earned income and the election to exclude foreign housing amounts must be revoked separately. If an election is revoked, and within 5 years the qualifying individual wishes to again choose the same exclusion, the individual must apply for approval by requesting a ruling from the IRS.

Retirement Move



If you are a retiree who was working in a foreign country, or a survivor of a descendant who was working in a foreign country, and move to the United States or one of its territories, you are not required to meet the time test. In this scenario, you can deduct your moving expenses for the relocation assuming you meet the requirements listed below. However, your former home and your former main job location must have been outside the United States.

You are considered permanently retired if you intend to cease full-time employment or self-employment at the time of the move, even if you later decide to return to work. Your intention to retire may be determined by:

- Your age and health.
- The typical retirement age for people in similar work.
- Whether you receive retirement payments from a retirement fund or pension.
- The length of time before returning to full-time work.

If you are the spouse or a dependent of a person whose main job location was outside of the United States at the time of death, you can deduct moving expenses for the return to the United States if you meet all of the following requirements:

- The move begins within six months of the descendant's death.
- The move is from the descendant's former home which was located outside of the United States and its possessions.
- The descendant's former home was also your home.

For more information when a death is involved, please see IRS Publication 559 "Survivors, Executors, and Administrators".

For a retirement move when the former home is in the United States or one of its possessions, moving expenses are not deductible assuming that you stay retired. In this case, no exception is given for the time test and the retirement move is considered an unqualified move.

Temporary Assignment Move

For an assignment that lasts, or is expected to last one year or less, many reimbursements can be treated as non-taxable, similar to a business trip. Meanwhile, an assignment or move that is expected to last more than one year should be treated as relocation.

If an assignment is expected to last one year or less but the intent later changes and becomes more than one year, the assignment is considered temporary up until the date the expectation changes. Once the expectation changes, this should be viewed as a relocation. Expenses that are generated after the intent changes should be treated as relocation.

If an assignment is expected to last more than one year but then ends prematurely, the assignment would still follow relocation laws and not the "temporary assignment" rules, because the intent at the time was for the assignment to last more than one year. In other words, the intent at the time the assignment is initiated is vital to classifying the move.

During a short-term assignment, the temporary work place should be much further away, requiring an overnight stay. If that is the case and an accountable plan is followed, non-taxable reimbursements for the employee (family portion is taxable) would include:

- The cost to travel from the permanent home to the temporary work location at the start of the assignment and the cost to travel back home at the end of the assignment.
- Transportation costs while at the temporary work location.
- Lodging, meals and incidental expenses.
- Cleaning, laundry, cab, faxes, telephone, and other miscellaneous expenses.
- Return trips home without a business purpose, but only the lesser of the cost of the trip or the cost of staying at the temporary assignment location.
- Return trips home with a business purpose for the trip.
- Visas, passports, language training, etc. (same non-taxable items encountered with some relocations where the expenses are needed in order to work at the location).

Rather than following an accountable plan during a temporary assignment, an employer may reimburse for travel expenses using a per diem allowance. This allowance is responsible for lodging, meals, and incidental expenses while traveling on business and would nullify the need to substantiate these expenses with receipts. These allowable per diem rates are updated and available through the website **www.gsa.gov**. Basically, an employer can reimburse up to the rates listed in the tables, and the per diem can be treated as non-taxable. If an employer reimburses at a higher rate than those listed in these tables, then the excess would be considered taxable wages. While no receipts are required if these tables are used, the payments must still meet other substantiation requirements including the date, place and business purpose of the trip. More information is available in IRS Publication 1542.

If an employer does not reimburse or provide a per diem for meals and incidental expenses, then the employer has the option of reimbursing $5 per day in lieu of receipts. For the day travel begins and the day travel ends, three-quarters of the per diem would be allowable, or a reasonable, consistent method, such as the actual hours away from home.

For temporary assignments, IRS Form 3903 would not be required. Instead, if you plan to take a business expense deduction for any expenses that were not reimbursed by your employer, you would take the deduction on the Schedule A as an "unreimbursed employee expense."

For more information on the taxability of reimbursements during a temporary assignment, please refer to IRS's "Taxable Fringe Benefit Guide". Also, for per diem allowances, please refer to Treasury Regulation Section 1.274-5.

Should You Sell or Rent Your Former Home?

Sometimes a house just may not sell. Even though you did everything correctly, the market could just be too unfavorable for you at the current time. Even if that is the case, you shouldn't give up on the property altogether. You could think about renting out your home instead of selling it. Renting your home offers some advantages that you wouldn't encounter with home sale.

Advantages of Renting Out

- Rental income can cover some or all of the mortgage payments. You might even make a profit if your monthly expense is low enough.
- You may be able to continue to build equity at the expense of the renter — especially if your particular market is not affected or minimally affected by the slowdown. If your mortgage has been in existence for a number of years, more of the payment may be being applied to principal.
- Landlords gain tax advantages in addition to the regular deductions of mortgage interest and taxes.

Rental property is considered to be a real estate investment. Therefore, as an investor, a number of tax breaks become available to you. If you actively participate in rental real estate activity, you might be eligible to deduct up to $25,000 of annual rental loss against other income. The IRS considers you to be actively participating if you have made management decisions in a significant and bona fide sense, such as approving new tenants, deciding on rental terms and approving expenditures. In addition, a landlord can depreciate the value of the property against the income generated on the home.

Depreciation is only a paper deduction, since homes usually tend to go up in value over time. A landlord also can claim a depreciation loss for appliances in the home. This can be done in one lump sum or spread out over a number of years. Any depreciation amount has the effect of lowering your taxable income. It's even possible to claim enough deductions to show a net loss on the property, even though you're receiving rental income each month from your tenants.

How to Calculate Your Depreciation Deduction

Always check out all tax issues thoroughly with your tax accounting professional, however the IRS generally will allow you to depreciate the value of the structure on this property over a period of 27.5 years. This is the logical treatment as buildings wear out over time, or become obsolete because their older features are no longer in demand.

If you own a property that is generating $15,192 per year in positive cash flow, you can now offset some of that income for your taxes. The amount you can depreciate is the lesser of the fair market value or its adjusted basis.

- Fair market value is determined by what the actual sales price of the home would be at the time it is converted to a rental property. You can work with your local real estate agents to assist in determining the value of your property.
- Your adjusted basis is based on the purchase price of the property, plus permanent structure improvements of the property minus the value of the land.

The depreciation calculation would look like this:

1. Purchase price - Land Value **= Building Value.**
2. Building Value / 27.5 years **= Annual allowable depreciation deduction.**

For our example, we'll assume that the purchase price of the property was $325,000 and the value of the half-acre on which it sits is $80,000.

1. $325,000 - $80,000 **= $245,000 Building Value.**
2. $245,000 / 27.5 years **= $8,909 per year in depreciation.**

Other Common Deductions

Interest – Interest is often a landlord's single biggest deductible expense. Common examples of interest that landlords can deduct include mortgage interest payments on loans used to acquire or improve rental property and interest on credit cards for goods or services used in a rental activity.

Repairs – The cost of repairs to rental property (provided the repairs are ordinary, necessary, and reasonable in amount) are fully deductible in the year in which they are incurred. Examples of deductible repairs include repainting, fixing gutters or floors, fixing leaks, plastering, and replacing broken windows.

Local travel – Landlords are entitled to a tax deduction whenever they drive for their rental activity. For example, when you drive to your rental building to deal with a tenant complaint or go to the hardware store to purchase a part for a repair, you can deduct your travel expenses.

If you drive a car, SUV, van, pickup, or panel truck for your rental activity (as most landlords do), you have two options for deducting your vehicle expenses. You can:

- Deduct your actual expenses (upkeep, gasoline, repairs)

  or

- Use the standard mileage rate ($0.56/mile if incurred in 2014). To qualify for the standard mileage rate, you must use the standard mileage method the first year you use a car for your business activity.

Moreover, you can't use the standard mileage rate if you have claimed accelerated depreciation deductions in prior years, or have taken a section 179 deduction of your vehicle.

Long-distance travel – If you travel overnight for your rental activity, you can deduct your airfare, hotel bills, meals and other expenses. If you plan your trip carefully, you can even mix landlord business with pleasure and still take a deduction.

However, IRS auditors closely scrutinize deductions for overnight travel — and many taxpayers get caught claiming these deductions without proper records to back them up. To stay within the law (and avoid unwanted attention from the IRS), you need to properly document your long-distance travel expenses.

Home office – Provided they meet certain minimal requirements, landlords may deduct their home office expenses from their taxable income. This deduction applies not only to space devoted to office work, but also to a workshop or any other home workspace you use for your rental business. This is true whether you own or rent your home or apartment.

Employees and independent contractors – When you hire someone to perform services for your rental activity, you can deduct their wages as a rental business expense. This is true whether the worker is an employee (for example, a resident manager) or an independent contractor (for example, a repair person).

Casualty and theft losses – If your rental property is damaged or destroyed from a sudden event – like a fire or flood – you may be able to obtain a tax deduction for all or part of your loss. These types of losses are called casualty losses. You usually won't be able to deduct the entire cost of property damaged or destroyed by a casualty. How much you may deduct depends on how much of your property was destroyed and whether the loss was covered by insurance.

Insurance – You can deduct the premiums you pay for almost any insurance for your rental activity. This includes fire, theft and flood insurance for rental property, as well as landlord liability insurance. If you have employees, you can deduct the cost of their health and workers' compensation insurance.

Legal and professional services – You can deduct fees that you pay to attorneys, accountants, property management companies, real estate investment advisors, and other professionals. You can deduct these fees as operating expenses as long as the fees are paid for work related to your rental activity.

Sale of Residence Exclusion Rules

Please consider when selling a home, you may be subject to capital gains tax on the profit. If you have lived in the home as the primary residence for at least two of the last five years, then no tax is due on the gain up to $250,000 if single or $500,000 if married filing a joint tax return. For homes such as rental or vacation properties, you likely won't qualify for this exclusion and may owe capital gains tax on the full amount of the gain.

If you sell a primary residence that you lived in for less than two of the last five years, the exclusion amount under certain circumstances can be prorated as a percentage of two years. The IRS considers a job change, developing health problems, or other "unforeseen circumstances" as reasonable scenarios. For example, if a married couple sells a primary residence because of a job change and after living in it for only one year, then they will be able to exclude up to 50% of $500,000 or up to $250,000.

When determining the amount of the gain on the home, you need to determine the basis of the home compared to the selling price. The basis is typically the cost of the home when it was originally purchased, minus any homebuyer tax credits, plus miscellaneous costs such as capital improvements.

Navigating a Closing Statement

Settlement Statement:

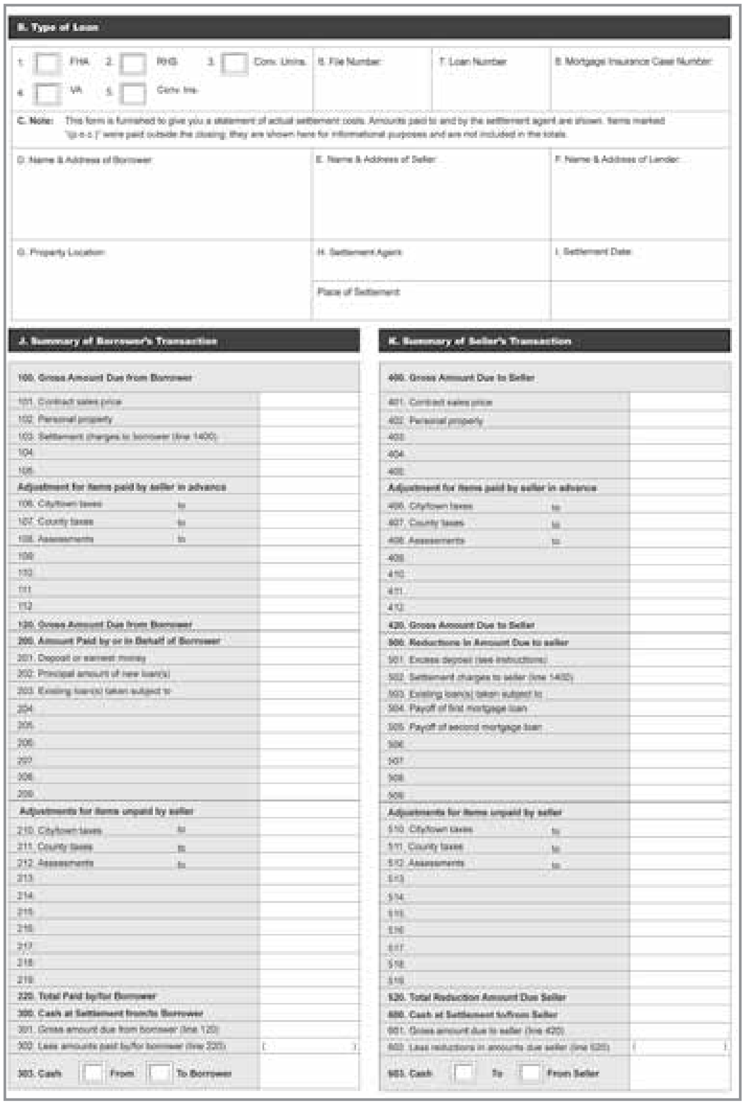
HUD-1 U.S. Department of Housing and Urban Development
The HUD-1 Settlement Statement is prepared when you sell or buy a home. It provides a comprehensive listing of expenses and fees associated with the purchase or sale. It is required as the standard real estate statement for all transactions in the United States involving federally related mortgage loans. For many years, the HUD-1 Statement was two pages long, but it was recently updated and now has a third page.

Besides expenses and fees paid at the closing, the statement also includes items paid prior to closing, marked as "POC" – paid outside of closing.

Most sellers and buyers study the statement along with their real estate or settlement agent. It is a good idea to look at each number, as it is not uncommon to find mistakes. Question any charges that you do not understand.

Navigating A Closing Statement (HUD Page 1)

Page 1 of the HUD-1 Settlement Statement provides a summary for the borrower and seller of all the costs and adjustments. The left column (Section J) is the summary of the borrower's transaction and the right column (Section K) is the summary of the seller's side of the transaction.



B. Type of Loan

1. FHA 2. RHS 3. Conv. Unins. 4. VA 5. Conv. Ins. | 6. File Number | 7. Loan Number | 8. Mortgage Insurance Case Number

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower | E. Name & Address of Seller | F. Name & Address of Lender

G. Property Location | H. Settlement Agent | I. Settlement Date

Place of Settlement

J. Summary of Borrower's Transaction	K. Summary of Seller's Transaction
100. Gross Amount Due from Borrower	**400. Gross Amount Due to Seller**
101. Contract sales price	401. Contract sales price
102. Personal property	402. Personal property
103. Settlement charges to borrower (line 1400)	403.
104.	404.
105.	405.
Adjustment for items paid by seller in advance	**Adjustment for items paid by seller in advance**
106. City/town taxes to	406. City/town taxes to
107. County taxes to	407. County taxes to
108. Assessments to	408. Assessments to
109.	409.
110.	410.
111.	411.
112.	412.
120. Gross Amount Due from Borrower	**420. Gross Amount Due to Seller**
200. Amount Paid by or in Behalf of Borrower	**500. Reductions In Amount Due to seller**
201. Deposit or earnest money	501. Excess deposit (see instructions)
202. Principal amount of new loan(s)	502. Settlement charges to seller (line 1400)
203. Existing loan(s) taken subject to	503. Existing loan(s) taken subject to
204.	504. Payoff of first mortgage loan
205.	505. Payoff of second mortgage loan
206.	506.
207.	507.
208.	508.
209.	509.
Adjustments for items unpaid by seller	**Adjustments for items unpaid by seller**
210. City/town taxes to	510. City/town taxes to
211. County taxes to	511. County taxes to
212. Assessments to	512. Assessments to
213.	513.
214.	514.
215.	515.
216.	516.
217.	517.
218.	518.
219.	519.
220. Total Paid by/for Borrower	**520. Total Reduction Amount Due Seller**
300. Cash at Settlement from/to Borrower	**600. Cash at Settlement to/from Seller**
301. Gross amount due from borrower (line 120)	601. Gross amount due to seller (line 420)
302. Less amounts paid by/for borrower (line 220) ( )	602. Less reductions in amounts due seller (line 520) ( )
303. Cash From To Borrower	**603. Cash To From Seller**

The Public Reporting Burden for this collection of information is estimated at 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured; this disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

A. Settlement Statement (HUD-1)

Section 100: Gross Amount Due from Borrower - This provides a summary of the borrower's costs. This would include the contract cost of the house, any personal property being purchased, and the total settlement charges owed by the borrower from Section L.

Beginning at line 106, adjustments are made for items. Items could include taxes and assessments that were previously paid for by the seller.

Section 200: Amount Paid by or on Behalf of Borrower - Here you will find the amounts paid by the borrower or on behalf of the borrower by an outside party. This could include the deposit of earnest money, principal amount of the new loan and any existing loans.

Beginning at line 210, adjustments are made for items. Items could include taxes and assessments owed by the seller but were paid for by the borrower at closing.

Section 300: Cash at Settlement from/to Borrower - This shows the difference between the gross amount due from the borrower and the total amount paid by/for the borrower. Generally, line 303 will show the amount of cash the borrower must bring to settlement.

Section 400: Gross Amount Due to Seller - This provides a summary of the gross amount due to the seller. This would include the contract cost of the house and personal property.

Beginning at line 406, adjustments are made for items paid in advance by seller. Items could include taxes and assessments that were paid for by the seller.

Section 500: Reductions In Amount Due to Seller - Here you will find the reductions in amount due to seller. This could include excess deposit, settlement charges to seller, existing loans or payoff of second mortgage.

Beginning at line 510, adjustments are made for items unpaid by seller. Items could include taxes, homeowner dues and assessments owed by the seller but were paid for by the borrower at closing.

Section 600: Cash at Settlement to/from Seller - This section shows the difference between the gross amount due to seller and the total amount paid by/for the seller. Generally, line 603 will show the amount of cash due to the Seller. In cases where the seller owes more than they get back from the sale of the property, this would be a negative amount and result in a check to the settlement company.

Navigating A Closing Statement (HUD Page 2)

Page 2 of the HUD-1 Settlement Statement breaks down settlement charges for both the borrower and the seller. These charges are broken down into the following seven sections: 1. Total Real Estate Broker Fees, 2. Items Payable in Connection with a Loan, 3. Items Required by Lender to be Paid in Advance, 4. Reserves Deposited with Lender, 5. Title Charges, 6. Government Recording and Transfer Charges, 7. Additional Settlement Charges.

L. Settlement Charges		
700. Total Real Estate Broker Fees	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows :		
701. $ to		
702. $ to		
703. Commission paid at settlement		
704.		
800. Items Payable in Connection with Loan		
801. Our origination charge $ (from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen $ (from GFE #2)		
803. Your adjusted origination charges (from GFE #A)		
804. Appraisal fee to (from GFE #3)		
805. Credit report to (from GFE #3)		
806. Tax service to (from GFE #3)		
807. Flood certification to (from GFE #3)		
808.		
809.		
810.		
811.		
900. Items Required by Lender to be Paid in Advance		
901. Daily interest charges from to @ $ /day (from GFE #10)		
902. Mortgage insurance premium for months to (from GFE #3)		
903. Homeowner's insurance for years to (from GFE #11)		
904.		
1000. Reserves Deposited with Lender		
1001. Initial deposit for your escrow account (from GFE #9)		
1002. Homeowner's insurance months @ $ per month $		
1003. Mortgage insurance months @ $ per month $		
1004. Property Taxes months @ $ per month $		
1005. months @ $ per month $		
1006. months @ $ per month $		
1007. Aggregate Adjustment -$		
1100. Title Charges		
1101. Title services and lender's title insurance (from GFE #4)		
1102. Settlement or closing fee $		
1103. Owner's title insurance (from GFE #5)		
1104. Lender's title insurance $		
1105. Lender's title policy limit $		
1106. Owner's title policy limit $		
1107. Agent's portion of the total title insurance premium to $		
1108. Underwriter's portion of the total title insurance premium to $		
1109.		
1110.		
1111.		
1200. Government Recording and Transfer Charges		
1201. Government recording charges (from GFE #7)		
1202. Deed $ Mortgage $ Release $		
1203. Transfer taxes (from GFE #8)		
1204. City/County tax/stamps Deed $ Mortgage $		
1205. State tax/stamps Deed $ Mortgage $		
1206.		
1300. Additional Settlement Charges		
1301. Required services that you can shop for (from GFE #6)		
1302. $		
1303. $		
1304.		
1305.		
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		

Section 700: Total Real Estate Broker Fees – This section details commissions to the brokerages. This section shows the contract sales price on which the commissions are to be calculated, as well as the percentage. The dollar amounts are calculated and shown as two line items usually, one for each of the brokerages involved. Though very often the amount of the gross commission is split 50/50, these numbers can be shared in any proportion previously agreed to by the brokers and principals.

Section 800: Items Payable in Connection with Loan - This outlines fees charged by the lender and typically covered by the buyer.

801: Loan Origination - This fee is usually known as a loan origination fee but sometimes is called a “point” or “points.” It covers the lender’s administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated. Loan origination fees can typically be deducted on schedule A of the buyers 1040 tax form.

802: Loan Discount - Also often called “points” or “discount points,” a loan discount is a one-time charge imposed by the lender or broker to lower the rate at which the lender or broker would otherwise offer the loan to you. Each “point” is equal to one percent of the mortgage amount. For example, if a lender charges two points on a $200,000 loan this amounts to a charge of $4,000. Loan discount fees can typically be deducted on schedule A of the buyers 1040 tax form.

804: Appraisal Fee - This charge pays for an appraisal report made by an appraiser.

Lines 805 -811: This includes all other service fees for the borrower connected to the loan. They could include but are not limited to Credit Report, Lender Inspection, Tax Services, Flood Certification and Document Preparation Fees.

Section 900: Items Required by Lender to be paid in Advance - This outlines costs you may be required to prepay at the time of settlement, such as accrued interest, mortgage insurance premiums and hazard insurance premiums.

901: Interest - Lenders usually require borrowers to pay the interest that accrues from the date of settlement to the first monthly payment.

902: Mortgage Insurance Premium - The lender may require you to pay your first year’s mortgage insurance premium or a lump sum premium that covers the life of the loan, in advance, at the settlement.

Navigating A Closing Statement (HUD Page 2)

The cost of each of the various tax and insurance items is calculated as a monthly amount. Then a certain number of months are specified to be withheld by the lender for future payment of each line item. This builds the account that is contributed to each month from the mortgage payment to make sure that funds are available for these important tax and insurance items when they are due.

L. Settlement Charges	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Real Estate Broker Fees		
Division of commission (line 700) as follows :		
701. $ to		
702. $ to		
703. Commission paid at settlement		
704.		
800. Items Payable in Connection with Loan		
801. Our origination charge $ (from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen $ (from GFE #2)		
803. Your adjusted origination charges (from GFE #A)		
804. Appraisal fee to (from GFE #3)		
805. Credit report to (from GFE #3)		
806. Tax service to (from GFE #3)		
807. Flood certification to (from GFE #3)		
808.		
809.		
810.		
811.		
900. Items Required by Lender to be Paid in Advance		
901. Daily interest charges from to @ $ /day (from GFE #10)		
902. Mortgage insurance premium for months to (from GFE #3)		
903. Homeowner's insurance for years to (from GFE #11)		
904.		
1000. Reserves Deposited with Lender		
1001. Initial deposit for your escrow account (from GFE #9)		
1002. Homeowner's insurance months @ $ per month $		
1003. Mortgage insurance months @ $ per month $		
1004. Property Taxes months @ $ per month $		
1005. months @ $ per month $		
1006. months @ $ per month $		
1007. Aggregate Adjustment -$		
1100. Title Charges		
1101. Title services and lender's title insurance (from GFE #4)		
1102. Settlement or closing fee $		
1103. Owner's title insurance (from GFE #5)		
1104. Lender's title insurance $		
1105. Lender's title policy limit $		
1106. Owner's title policy limit $		
1107. Agent's portion of the total title insurance premium to $		
1108. Underwriter's portion of the total title insurance premium to $		
1109.		
1110.		
1111.		
1200. Government Recording and Transfer Charges		
1201. Government recording charges (from GFE #7)		
1202. Deed $ Mortgage $ Release $		
1203. Transfer taxes (from GFE #8)		
1204. City/County tax/stamps Deed $ Mortgage $		
1205. State tax/stamps Deed $ Mortgage $		
1206.		
1300. Additional Settlement Charges		
1301. Required services that you can shop for (from GFE #6)		
1302. $		
1303. $		
1304.		
1305.		
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		

903: Hazard Insurance Premium - Hazard insurance protects you and the lender against loss due to fire, windstorm, and natural hazards. Lenders often require the borrower to bring to the settlement a paid-up first year's policy or to pay for the first year's premium at the time of settlement.

904: Flood Insurance - If the lender requires flood insurance, it is usually listed here.

Section 1000: Reserves Deposited with Lender - This outlines sums required by the lender to be deposited and held for future payment of taxes, insurance etc.

Section 1100: Title Charges – This covers a variety of services by title companies and others. Items can show up on either the buyer or seller's side depending on who agreed to pay for what items. These items might include, but aren't limited to:

- Settlement or closing fee charged by the settlement entity, usually the title company
- Abstract or title search
- Title examination
- Title insurance binder
- Document preparation, perhaps attorney fee for deed
- Notary and other attorney fees
- Courier and express mail fees
- Title Insurance premium and endorsements

Section 1200: Government Recording and Transfer Charges - This section outlines items related to recording of documents and government transfer charges. It would also include tax stamps for city, county and state government.

- Recording fees: Deed $; Mortgage $; Releases $
- City/county tax/stamps: Deed $; Mortgage $
- State tax/stamps: Deed $; Mortgage $

Section 1300: Additional Settlement Charges - The HUD-1 provides a catch-all for items that don't fit in other sections of the form. Items can show up on either the buyer or seller's side depending on agreement in the purchase contract or other documents.

Line 1400 is a total line. It takes all the charges for the page, from item 700 through the 1300 series and totals them for both Buyer and Seller.

Navigating A Closing Statement (HUD Page 3)

Page 3 of the HUD-1 Settlement Statement provides a comparison between the good faith estimate and the actual HUD-1 Charges.

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase	**HUD-1 Line Number**		
Our origination charge	# 801		
Your credit or charge (points) for the specific interest rate chosen	# 802		
Your adjusted origination charges	# 803		
Transfer taxes	# 1203		

Charges That In Total Cannot Increase More Than 10%		Good Faith Estimate	HUD-1
Government recording charges	# 1201		
	#		
	#		
	#		
	#		
	#		
	#		
	#		
	Total		
	Increase between GFE and HUD-1 Charges	$	or %

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	# 1001		
Daily interest charges $ /day	# 901		
Homeowner's insurance	# 903		
	#		
	#		
	#		

Loan Terms

Your initial loan amount is	$
Your loan term is	years
Your initial interest rate is	%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	$ includes ☐ Principal ☐ Interest ☐ Mortgage Insurance
Can your interest rate rise?	☐ No ☐ Yes, it can rise to a maximum of %. The first change will be on and can change again every after . Every change date, your interest rate can increase or decrease by %. Over the life of the loan, your interest rate is guaranteed to never be **lower** than % or **higher** than %.
Even if you make payments on time, can your loan balance rise?	☐ No ☐ Yes, it can rise to a maximum of $
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	☐ No ☐ Yes, the first increase can be on and the monthly amount owed can rise to $. The maximum it can ever rise to is $
Does your loan have a prepayment penalty?	☐ No ☐ Yes, your maximum prepayment penalty is $
Does your loan have a balloon payment?	☐ No ☐ Yes, you have a balloon payment of $ due in years on
Total monthly amount owed including escrow account payments	☐ You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. ☐ You have an additional monthly escrow payment of $ that results in a total initial monthly amount owed of $. This includes principal, interest, any mortagage insurance and any items checked below: ☐ Property taxes ☐ Homeowner's insurance ☐ Flood insurance ☐ ☐ ☐

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

Canadian Relocation Tax Laws

Moves Permitted to be Deducted

1. Generally, the transferee must move from one residence in Canada to another residence in Canada for the purposes of employment, business or education. If it is for educational purposes, then the move may be into or out of Canada. For other moves into, out of, or within Canada, see the next paragraph.
2. The distance from the new home to the new work location must be at least 40 kilometers closer to the new place of work than the distance from the old home.

For moves into, out of, or within Canada, expenses are not deductible unless the transferee is considered a full-time student or a “factual” or “deemed” resident. A factual resident is someone who keeps significant residential ties in Canada while traveling outside the country. A deemed resident is a government employee, a member of the Canadian Forces, or a person working under the Canadian International Development Agency while living outside Canada. The move also must be from and to a place that the transferee ordinarily resides. For example, a transferee fails this requirement if he or she resides in an apartment in another country while the family remains in the Canadian home, because the Canadian home would be considered the place that the transferee ordinarily resides.

Usually most moving expenses are deductible (and non-taxable if reimbursed by the company) for factual or deemed residents. For all other transferees, most expenses are non-deductible.

For reimbursements made to a transferee who is a factual or deemed resident, the following expenses should be treated as non-taxable:

- House-hunting expenses
- Final move expenses, including meals
- Transit costs and storage
- Temporary living expenses, including meals
- Lease cancellations
- Former home duplicate housing costs (taxable for amounts in excess of $5,000)
- Former home selling costs
- New home selling costs
- Non-accountable miscellaneous allowance (taxable for amounts in excess of $650). In Quebec, taxable for amounts in excess of two weeks salary.
- Loss on sale (taxable for 50% of amounts in excess of $15,000)
- Incidental expenses, such as the cost of changing addresses on legal documents and replacing driving licenses.

For expenses that are not reimbursed, the transferee can take a deduction on the following:

- Traveling expenses for the taxpayer and members of the household, including reasonable amounts for lodging, vehicle expenses and meals. If the taxpayer prefers, a simplified method of claiming vehicle and meal expenses is available instead of claiming actual expenses.
- Transportation and storage of household goods.
- Temporary lodging and meals near either the former or new residences for a maximum of 15 days. A simplified method also is available for meal expenses.
- Lease cancellation for the former residence.
- Selling costs for the former residence, unless the sale was delayed for investment purposes or until the real estate market improved.
- Legal fees and land transfer taxes associated with the purchase of the new residence provided the old residence is sold as a result of the move.
- Mortgage interest, property taxes, insurance premiums, and costs associated with heat and utilities on a vacant old residence and during a period where reasonable efforts were made to sell the home, up to $5,000.
- Some incidental costs related to the move, including changing the address on legal documents, replacing driver's licenses and automobile permits, and utility hook-ups and disconnections.

The overall deduction is limited to income earned in the new position at the new location (or scholarships and grants — in the case of a student) in the year of the move. Any excess deductions may be carried forward for a possible deduction in the year following the move.

Overall, the main differences between reimbursed and non-reimbursed expenses for factual or deemed residents are:

- House hunting (non-taxable if reimbursed; non-deductible if not reimbursed)
- Temporary living (non-taxable if reimbursed; deductible only up to 15 days if reimbursed)
- Non-accountable miscellaneous allowance (non-taxable up to $650 if reimbursed; non-deductible if not reimbursed). In Quebec, non-taxable up to two weeks salary.
- Loss on sale (deductible up to $15,000 and 50% deductible beyond that if reimbursed; non-deductible if not reimbursed)

Canadian Relocation Tax Laws

2014 CANADIAN FEDERAL TAX RATES

$0.00	–	$43,953	15.00%	+	$0.00
$43,953	–	$87,907	22.00%	+	$6,592.95
$87,907	–	$136,270	26.00%	+	$16,262.83
$136,270	+		29.00%	+	$28,837.21

2014 PROVINCE/TERRITORY TAX RATES (SUBJECT TO CHANGE)

Alberta	10.00%
British Columbia	5.06% to 16.80%
Manitoba	10.80% to 17.40%
New Brunswick	9.68% to 17.84%
Newfoundland and Labrador	7.70% to 13.30%
Northwest Territories	5.90% to 14.05%
Nova Scotia	8.79% to 21.00%
Nunavut	4.00% to 11.50%
*Ontario	5.05% to 13.16%
*Prince Edward Island	9.80% to 16.70%
Quebec	16.00% to 25.75%
Saskatchewan	11.00% to 15.00%
*Yukon	7.04% to 12.76%

* - Has a surtax in addition to tax rates shown.

For more information on the definition of a “factual” resident, see Interpretation Bulletin IT-221, Determination of an Individual’s Residence Status, or pamphlet T4131, Canadian Residents Abroad. For a “deemed” resident, see “Are you a deemed resident?” in the General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada.

Resources to Answer Your Questions

Useful Websites and Publications

While we hope that our tax guide was able to offer you some insight and answer all of your tax questions, we know there may be additional questions you might have. If that is the case the Internal Revenue Service (IRS) offers many publications at your local IRS office, by calling 1-800-TAX-FORM (1-800-829-3570) or by downloading them from **www.irs.gov.**

Some Useful IRS Publications:

Pub. 54: Tax Guide for U.S. Citizens and Resident Aliens Abroad

Pub. 463: Travel, Entertainment, Gift and Car Expenses

Pub. 505: Tax Withholding and Estimated Tax

Pub. 521: Moving Expenses

Pub. 523: Selling Your Home

Pub. 527: Residential Rental Property

Pub. 530: Tax Information for Homeowners

Pub. 587: Business Use of Your Home

Pub. 919: How Do I Adjust My Tax Withholding?

Pub. 936: Home Mortgage Interest Deduction

Pub. 970: Tax Benefits for Education

Pub. 972: Child Tax Credit

The following websites may also be helpful to you while planning your move, or if you just have some relocation questions:

www.irs.gov – official Internal Revenue Service site for information, forms and publications

www.officialusa.com – for information on a specific state's website and tax laws

www.sisterstates.com – for information on a specific state's website and tax laws

www.usps.com – official United States Postal Service website, which offers online change-of-address forms

www.ddscpa.com – tax preparation services specializing in relocations

www.homefair.com – for information on school reports, city reports, move planners and cost of living comparisons

www.salvationarmyusa.org – a donation valuation guide for tax deductions

www.moving.com/real-estate/school-reports – school reports by city

www.orionmobility.com – nationally recognized provider of relocation expense management software

www.realtor.com – a consumer guide to buying and selling real estate and weekly reports on legislation affecting realty transactions

www.eloan.com – a nationwide financial services company that can assist you in obtaining loans that meet your financial needs

www.improvenet.com – lists more than 500,000 services, from contractors to designers, for remodeling

www.netquote.com – comparison-shopping for auto, renters and home insurance

www.topalarmcompanies.com – compare and receive quotes from leading national alarm companies

www.realestate.com – supplies real estate analysis reports and data, tools and advice to help buyers and sellers

www.move.com – a family of sites with home and real estate information

www.reloviews.com – a global version of a complete corporate relocation operating system with online expense report submission, updating of personal information, budgets and more

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