

Relocating & Taxes

Tax time can certainly be confusing, to say the least. Relocating, like most major events in life, comes with certain tax ramifications. Your tax professional can give you in depth information, but here are a few tips:

Certain moving expenses are deductible provided you meet certain qualifications. If your move is job related (new job or employee transfer) you may be able to deduct the cost of your moving expenses from your income. You can only deduct the cost of moving expenses that exceed the amount that your employer reimburses you for. Any moving expenses that your employer pays will be added to your income and are therefore taxable at the end of the year. Time and distance requirements must be met in order to take a moving deduction on your taxes.

The distance stipulation states that your new job must be at least 50 miles distant from your old job. An example of this would be if you commuted 20 miles from your old home to your old job, you would now have to commute at least 70 miles from your old home to your new job. Your new commute would be 50 miles longer and therefore would make you eligible for the moving expense deduction.

The other stipulation is regarding the time or hours you work following the move. You must work full time at your new job for at least 39 weeks over the next 12 months, or if you are self employed you must work at least 78 weeks in the 24 months following your move. Both the time and distance requirements must be met in order to deduct your moving expenses on your taxes. The only exceptions are if you become disabled, your employer transfers you to a new location, you are laid off due to no fault of your own, or if you die. Neither test applies if you are in the military and are permanently transferred.

The actual cost of packing and moving household goods is a deductible expense. You can also take a deduction for transporting members of the household. You can deduct storage and insurance costs for 30 consecutive days if you have some down time before your belongings can be delivered to your new home.

Your travel route to the new residence must be a direct one and the trip must be completed in a timely manner in order to be deductible. An extra weekend stopover that is out of the way while traveling to your new home would not be fully deductible. Basically, taking a more out of the way route to stop at your local theme park or resort would not be considered a deductible expense. Don't forget to log your mileage or keep track of your gas receipts as this is a deductible expense. Check with your tax professional if you choose the option of deducting your mileage to see what the current rate is. You can also deduct parking fees and toll charges.

Household goods include pets, cars and boats (but not yachts). If the belongings are not located at your former residence (perhaps they are in your vacation home) the amount of the deduction can not exceed what it would have cost to move the items from the former residence.

Members of a taxpayer's household include your spouse, children, and dependents that live with you. It does not include a roommate or paid employees in your household. The expenses of transporting members of the household are fully deductible as long as the amount is reasonable. Members of the household are not required to travel together. Meals are not an included deduction.

Moving your residence from one state to the next can also present challenges. Sales tax, personal income tax and property taxes do vary and can definitely have an effect on your pocket book. The website Retirementliving.com has a program where you can calculate the differences state by state. When relocating from another state this can be a resource for evaluating the various differences in taxes.

Relocating to the US from a different country such as Canada also comes with tax considerations in that you may be required to prepare taxes for both countries. You may also be required to pay taxes to both countries if you are considered a "resident" in the country that you were previously living in. This is why it is a good idea to cut ties as much as possible when you relocate. There are plenty of tax accountants that can file taxes for both countries for you as well as get you through this complicated process.

These are just a few of the many tax laws to be aware of when relocating. Don't forget to keep good records as well as do your research. It is always a good idea to check with a tax professional to make sure you are aware of any tax issues that may affect you.