

The ins and outs of tax breaks for getting to and from work

As you're probably already aware, you generally can't deduct costs related to commuting between home and work. The IRS considers commuting to be a nondeductible "personal expense" instead. But there are some instances when commuting costs are considered deductible "transportation" expenses. And you might be eligible for tax-advantaged transportation fringe benefit programs through your employer. Let's take a closer look at tax breaks that are available related to getting to and from work.

Deducting the expense between work and home

IRS Revenue Ruling 99-7 allows you to deduct the expense of traveling between your home and a work location under certain limited circumstances. One is if you travel between your home and a temporary work location that's outside your metropolitan area. The IRS recognizes that it would be unreasonable to expect a worker to relocate his or her principal residence for just a short-term job.

Another instance when you can deduct what might seem like a commuting expense is if you travel between your home and a temporary work location — regardless of distance — and you have one or more regular work locations away from your home. This exception might apply if, for example, you're a consultant who sometimes travels directly from your home to a client's worksite.

Still another instance when commuting-like costs may be deductible is if you travel between your home and a temporary or regular work location, but your home qualifies as your principal place of business. For example, perhaps you work out of your home and travel to a client's temporary worksite, while also renting conference space away from home (a regular location).

Indefinite job assignments

A key consideration for the first two exceptions is the meaning of "temporary work location." Notably, a job assignment of *indefinite* duration isn't considered temporary.

According to IRS Revenue Ruling 99-7, absent facts and circumstances that indicate otherwise, a worksite is temporary if employment there "is realistically expected to last (and does in fact last) for one year or less." However, if a job is initially expected to last one year or less but that expectation changes during the course of the job, it's treated as temporary only until the date it becomes evident that the job will last more than one year.

Other transportation benefits

Qualified transportation fringe benefit programs offer tax benefits for both employers and employees. Employers that provide workers with transit passes, vanpool services or parking at or near the office or a mass-transit facility can deduct the expense while excluding the benefits from employees' wages (subject to the limits discussed below). Or the programs can simply allow employees to pay these costs with pretax dollars.

Qualified parking benefits can be provided in the form of a noncash benefit (such as the free use of a pay parking lot) or a cash reimbursement of up to \$255 per month for 2016. A cash reimbursement also can be provided for vanpool services or mass transit (or a combination of the two) the limit is also \$255 per month this year. These same limits apply when your employer pays these costs with pretax dollars.

You're eligible to take advantage of both the parking and mass-transit/vanpool benefits, which would be applicable if, for instance, you had to pay to park at a commuter train station and also had to pay for the cost of taking the commuter train. If you don't participate in either of the benefits and use your bicycle to commute, you may be eligible for a \$20 monthly benefit.

Bottom line

As you know, every little bit of savings can help. So work with your tax attorney to ensure you're taking advantage of all the transportation-related tax breaks you're eligible for. Moreover, your attorney can help you make sure you comply with any additional rules and restrictions that might apply.

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