

PA SCHEDULE UE
Allowable Employee Business Expenses
 PA-40 UE (09/01) (I)
 PA DEPARTMENT OF REVENUE

0101710051

OFFICIAL USE ONLY

You must complete a separate PA Schedule UE for each job if you incur expenses from more than one job. You may make photocopies of this schedule or make your own schedules in this format.

Name of Taxpayer Claiming Expenses:		Social Security Number:
Employer's Name:	Employer's Address:	Employer's Federal ID Number:
Describe the duties of the job in which you incurred these expenses:		Employer's Telephone Number:

Part A. Employee Business Expenses.

Caution. You may not use Line 4 of Form 2106 or Form 2106EZ. You must itemize these expenses in Part G of this schedule.

Vehicle Expenses. Standard Mileage Rate.

Filing Tip. If you do not file Form 2106 or 2106EZ, enter your total business miles and multiply by the federal standard mileage rate \$0. Enter the result on Line 1.

1. Enter the amount from your Form 2106 or Line 1 of Form 2106EZ.	1.	<input type="text"/>
Vehicle Expenses. Actual Travel and Mileage Expenses.		
2. Enter the amount from your Form 2106. Make the following adjustments:	2.	<input type="text"/>
3. Add back the Inclusion amount. This adjustment does not apply for PA purposes.	3.	<input type="text"/>
4. Depreciation. You may use any generally accepted method. If not using your Form 2106, enter your depreciation expense and complete Line 5.	4.	<input type="text"/>
5. Depreciation Method.		
6. Actual Travel and Mileage Expenses for PA Purposes. Total Lines 2, 3, and 4.	6.	<input type="text"/>
7. Parking Fees, Tolls, and Transportation. Enter the amount from your Form 2106 or Form 2106EZ.	7.	<input type="text"/>
8. Away From Home Overnight. Enter the amount from your Form 2106 or Form 2106EZ.	8.	<input type="text"/>
9. Meals and Entertainment Expenses. Enter the amount from your Form 2106 or Form 2106EZ.	9.	<input type="text"/>
10. Total Expenses for Part A. Add Lines 1 or 6 and 7, 8, and 9.	10.	<input type="text"/>

Part B. Direct Employee Business Expenses.

11. Union Dues. List Union name(s) and amount(s) paid. Enter total. Attach additional sheets, if needed. Name of Union(s) and amount(s).	11.	<input type="text"/>
12. Work Clothes and Uniforms. Required as a condition of employment and not suitable for everyday use. Description:	12.	<input type="text"/>
13. Small Tools and Supplies. Required as a condition of employment and not provided by your employer. Description:	13.	<input type="text"/>
14. Professional License Fees, Malpractice Insurance, and Fidelity Bond Premiums. Required as a condition of your employment. Description:	14.	<input type="text"/>
15. Total Expenses for Part B. Add Lines 11, 12, 13, and 14.	15.	<input type="text"/>

Part C. Office Or Work Area Expenses. You must answer **ALL** three questions or the Department will disallow your expenses.

C1. Does your employer require you to maintain a suitable work area away from the employer's premises?	C1.	1. YES	2. NO
C2. Is this work area the principal place where you perform the duties of your employment?	C2.	1. YES	2. NO
C3. Do you use this work area regularly and exclusively to perform the duties of your employment?	C3.	1. YES	2. NO

If you answer **YES** to **ALL** three questions, continue. If you answer **NO** to **ANY** question, you may not claim at home expenses.

Actual Office or Work Area Expenses. Enter expenses for the entire year and then calculate the business portion.

a. Depreciation Expense (Homeowners only).	a.	<input type="text"/>
b. Real Estate Taxes.	b.	<input type="text"/>
c. Mortgage Interest (Homeowners only).	c.	<input type="text"/>
d. Utilities.	d.	<input type="text"/>
e. Property Insurance.	e.	<input type="text"/>
f. Property Maintenance. Itemize the type and amount of maintenance expenses incurred:	f.	<input type="text"/>
g. Other Apportionable Expenses. Itemize the type and amount of these expenses:	g.	<input type="text"/>
h. Rent (Renters only).	h.	<input type="text"/>
i. Total. Add Lines a through h. Enter the total here.	i.	<input type="text"/>
j. Business Percentage of Property. Divide the total square footage of your work area by the total square footage of your entire property. Round to 2 decimal places.	j.	<input type="text"/> %
k. Apportioned Expenses. Multiply Line i by the decimal on Line j.	k.	<input type="text"/>
l. Total Office Supplies. Itemize supplies you purchased exclusively for use in your office or work area.	l.	<input type="text"/>
Total.		<input type="text"/>
16. Total Expenses for Part C. Add Lines k and l.	16.	<input type="text"/>

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Name of Taxpayer Claiming Expenses:

Social Security Number:

Part D. Moving Expenses.

- a. Enter the number of miles from your old home to your new workplace. a. miles
- b. Enter the number of miles from your old home to your old workplace. b. miles
- c. Subtract Line b from Line a and enter the difference. c. miles

If Line c is 50 miles or more, continue. If not at least 50 miles, you may not claim moving expenses.

- 17. Transportation expenses in moving household goods and personal effects. 17.
- 18. Travel, meals, and lodging expenses during the actual move from your old home to your new home. 18.
- 19. **Total Expenses for Part D.** Add Lines 17 and 18. 19.

Part E. Education Expenses. You must answer **ALL** three questions or the Department will disallow your expenses.

- E1. Did your employer or a law require that you obtain this education to retain your present position or job? 1. YES 2. NO
- E2. Did you need this education to meet the entry level or minimum requirements to obtain your job? 1. YES 2. NO
- E3. Will this education program or course of study qualify you for a new business or profession? 1. YES 2. NO

If you answer **NO** to both questions, continue. If you answer **YES** to either question, you may not claim education expenses.

- 20. Name of college, university or educational institution.
- 21. Course of study.
- 22. Tuition or fees. 22.
- 23. Course materials. 23.
- 24. Travel expenses. 24.
- 25. **Total Expenses for Part E.** Add Lines 22, 23, and 24. 25.

Part F. Depreciation Expenses. Do not include vehicles (use Part A) and office or work area (use Part C) expenses.

(a) Description of property	(b) Cost or other basis	(c) Depreciation method	(d) Depreciation deduction	(e) Section 179 expense	(f) Expenses Add (d) + (e)

- 26. **Total Expenses for Part F.** Add column f. 26.

Part G. Miscellaneous Expenses. Itemize the type and amount of your additional expenses, including expenses from Form 2106 or 2106EZ.

- a.
- b.
- c.
- d.
- e.
- 27. **Total Miscellaneous Expenses for Part G.** Add Lines a through e. 27.

Total Allowable PA Employee Business Expenses. You must also account for reimbursements, if any.

- 28. **Total expenses.** Add Lines 10, 15, 16, 19, 25, 26, and 27. 28.
- 29. **Reimbursements.** Enter reimbursements that your employer DID NOT report as taxable wages on your Form W-2. 29.
- 30. **Net Expense or Reimbursement.** 30.

If Line 28 is MORE than Line 29, enter the difference on Line 30 and include on Line 1b, Unreimbursed Employee Business Expenses, on your PA-40.

If Line 29 is MORE than Line 28, enter the difference on Line 30 and include the excess in Line 1a, Gross PA Compensation, on your PA-40.

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2001PA Schedule UE
Employee Business Expenses

Expenses for PA purposes are not always the same as federal expenses. Read these instructions for reporting your allowable employee business expenses on PA Schedule UE. You must be able to substantiate travel expenses as to time, place, and business purpose. You must report all reimbursements and allowances paid by your employer as compensation **unless**:

1. The expenses are PA allowable employee business expenses; **and**
2. You must, and do, account for these expenses to your employer; **and**
3. Your employer reimburses you in the exact amount of the allowable business expenses; **and**
4. You do not report these expenses on PA Schedule UE.

IMPORTANT

You meet these requirements when you receive a fixed mileage allowance or a per diem living expense allowance that does not exceed applicable federal limits.

Unreimbursed Employee Business Expenses

If you cannot or do not have to file a Federal Form 2106 or Form 2106-EZ, you follow the federal rules for determining your allowable expenses for Part A of PA Schedule UE. For PA purposes, you may deduct 100 percent of your allowable expenses on PA Schedule UE.

IMPORTANT

The Department has the legal authority to require evidence that the expenses you claim on your PA Schedule UE are allowable for PA purposes.

If your employer does not reimburse you, you may reduce your compensation by your allowable expenses. If your reimbursement is more than your allowable expenses, you must report the excess as taxable compensation on Line 1a and explain on your PA Schedule UE. **Example.** Dave is a salesperson who earned compensation of \$30,000 and incurred allowable employee business expenses of \$3,000. He received reimbursement of \$3,500. Dave must report the excess \$500 as compensation. His total net taxable compensation is \$30,500. If Dave's reimbursement were \$2,000, his net taxable compensation would be \$29,000. Dave must complete a PA Schedule UE to deduct the \$1,000 on Line 1b.

PA Schedule UE

Allowable employee business expenses for PA purposes are similar to allowable expenses for federal purposes, but not exactly the same. An allowable PA employee business expense must be:

1. **Ordinary** -- customary and accepted in the industry or occupation in which you work; **and**
2. **Actual** -- paid while performing the duties of your employment; **and**
3. **Reasonable** -- in amount and not excessive; **and**
4. **Necessary** -- to enable you to properly perform the duties of your employment; **and**
5. **Directly related** -- to performing the duties of your occupation or employment.
6. **100 percent allowable** -- PA does not have federal tax accounting limitations and thresholds.

You **did not** incur an allowable business expense during the year if you:

- Received a fixed mileage allowance or a per diem allowance for allowable expenses and neither you nor your employer included the allowance in your compensation; **or**
- Accounted for your allowable expenses to your employer and your employer reimbursed you in the exact amount of your expenses.

Do not include such reimbursements in gross compensation. Do not claim such expenses on a PA Schedule UE.

Expenses that Pennsylvania Does Not Allow

PA law does not permit the following expenses, even when allowed for federal purposes:

- Personal, living, or family expenses;
- Dues to fraternal organizations, professional societies, Chambers of Commerce, or recreational club memberships;
- Dues and subscriptions to publications, including trade and professional publications;
- Political candidate or campaign contributions;
- Charitable contributions;
- Commuting expenses;
- Cost of meals while working late, unless while traveling away from home overnight on business;

- Occupational privilege taxes or assessments and other local, county, state, federal, and foreign taxes;
- Child care or elderly care expenses;
- Life, disability income, and health insurance premiums;
- Contributions to deferred compensation plans or other pension plans;
- Legal fees (except to recover back wages), fines, penalties, and bad debts;
- Bribes, kickbacks, or other illegal payments;
- Job hunting or other pursuit of employment expenses;
- Malpractice insurance premiums, except when allowed in Part B, Line 14;
- Moving expenses, except when allowed in Part D;
- Educational expenses, except when allowed in Part E; and
- Capital expenditures. Depreciation may be allowable in determining expenses. Federal depreciation or cost recovery deductions are acceptable for computing allowable business expenses.

CAUTION

If filing jointly, you and your spouse must each submit separate PA Schedules UE. You may not combine expenses.

IMPORTANT

Sole proprietors, partners, shareholders, or other self-employed individuals do not use PA Schedule UE to claim expenses. Nonresidents who earn compensation and incur allowable employee business expenses both within and outside Pennsylvania may need to complete and file a PA Schedule NRH.

Part A. Employee Business Expenses from Form 2106

Expenses for transportation, traveling, meals, and lodging that you incurred in performing the duties of your job are allowable business expenses. Business expenses incurred by outside salespersons are also allowable. Enter your amounts from Lines 1, 2, 3, and 5 from your Federal Form 2106 or Form 2106-EZ.

CAUTION

You must report expenses from Line 4 of your Form 2106 or Form 2106-EZ in Part G.

If you cannot or do not have to file a Federal Form 2106 or Form 2106-EZ, you follow the federal rules for determining your allowable expenses for Part A, but remember that PA rules permit you to deduct 100 percent of your allowable expenses.

CAUTION

Commuting costs to and from any job are not allowable for PA purposes.

Vehicle Expenses -- Standard Mileage Rate

1. Enter the amount from Line 22 of your Form 2106 or Line 1 of your Form 2106-EZ. Otherwise, enter your business miles and the federal mileage allowance. Then, calculate your allowable business mileage expense.

Actual Expenses

You may always claim your allowable actual expenses for PA purposes. Start with your federal form and adjust for PA purposes. **IMPORTANT.** Expenses, such as business meals and entertainment and away from home overnight expenses are 100 percent allowable. Pennsylvania does not follow the federal limitations on allowable expenses.

2. Enter your actual expenses from your Form 2106.
3. Add back the Inclusion amount. This rule does not apply for PA purposes.
4. You may use any generally accepted depreciation method. If using a different method for PA purposes, enter the adjusted expense here.
5. Name the depreciation method you are using. If using a different method, you must consistently use it for PA purposes.
6. **Total Lines 2, 3, and 4.** These are your actual PA allowable expenses.
7. **Parking Fees, Tolls, and Transportation.** Enter the amount from your Form 2106 or your Form 2106-EZ.
8. **Away from Home Overnight.** Enter the amount from your Form 2106 or Form 2106-EZ, or the actual amount of allowable expenses you incurred.
9. **Meals and Entertainment Expenses.** Enter the amount from your Form 2106 or Form 2106-EZ, or the actual amount of allowable expenses you incurred.
10. **Total Form 2106 expenses.** Add Lines 1 or 6 and 7 through 9.

Part B. Direct Employee Business Expenses

These are expenses that you pay directly, or that you pay through a withholding arrangement with your employer. These expenses are necessary to perform or maintain your job.

11. **Union Dues**

Union dues, assessments, and initiation fees are allowable business expenses if:

- Such payments are a condition of continued membership in the union, and membership is related directly to your present job; or
- Such payments are a required wage deduction under an agency shop agreement.

12. **Work Clothes and Uniforms**

The costs of purchasing and maintaining uniforms and work clothing to protect you from bodily injury are allowable business expenses if the uniforms and clothing are both:

- Of a type specifically required by the employer to be purchased as a condition of continued employment; and
- Not adaptable to general usage.

13. **Small Tools and Supplies**

Expenditures for small tools and supplies that your employer does not provide, but you must have to perform the duties of your job, are allowable business expenses. If any of these tools or supplies has a useful life of more than one year, you must depreciate or amortize the cost in Part F below. You may currently expense the item if allowable under IRC Section 179.

14. **Professional License Fees, Malpractice Insurance, and Fidelity Bond Premiums**

Trade, professional, or occupational licenses or fees required as a condition of employment are allowable business expenses. Include malpractice insurance and fidelity bond premiums where required by law or by your employer.

15. **Total Direct Employee Business Expenses.** Add Lines 11 through 14.

Part C. Office or Work Area Expenses

Your office or work area expenses are allowable if:

- The duties of your employment require a suitable work area apart from your employer's premises; **and**
- Your employer does not provide a suitable work area; **and**
- You must provide your own work area as a condition of employment; **and**
- The work area you use is your principal place of work; **and**
- You use your work area regularly to perform the duties of your employment.

You must answer **YES** to questions C1, C2, and C3 in order to claim office or work area expenses.

Lines a through i. Enter your actual expenses.

j. Follow the instructions to calculate the business portion of your home.

k. Calculate the expenses directly related to the business use of your home.

l. Enter the total cost of the directly related business supplies you purchased. Only include costs you incurred for business purposes.

16. **Total Office or Work Area Expenses.** Add Lines k and l.

Part D. Moving Expenses

Expenses you pay or incur in moving yourself, your immediate family, your household goods, and your personal effects are allowable. Allowable moving expenses include the cost of transportation to your new home. You may use actual out-of-pocket costs or the federal mileage allowance. The expenses for the storage of household goods, for meals and lodging on the way, including such costs on the day you arrive, and parking fees and tolls are allowable.

Pennsylvania does not allow expenses to sell or purchase a home, and costs to break a lease. You may not deduct pre-move house hunting expenses, temporary lodging prior to moving, and any costs or expenses not directly related to actually moving.

Distance Test

Your new workplace must be at least 50 miles farther from your old residence than your old workplace was. **Example.** If your old workplace was 3 miles from your old residence, your new workplace must be at least 53 miles from your old residence. Measure the distance using the shortest of the most commonly traveled routes. Complete Lines a, b, and c to determine if you meet this test.

IMPORTANT

If you are in the military service, you do not have to meet the distance test if your move is a permanent change of duty station. If you, your spouse, and dependents are moving to the new duty station from different locations, you may claim all the allowable expenses.

17. Enter your actual allowable transportation expenses, as described above.
18. Enter your actual qualifying expenses for travel, meals, and lodging, as described above.
19. **Total Moving Expenses.** Add Lines 17 and 18.

Part E. Education Expenses

CAUTION

You may not claim that travel costs are an educational expense, if you claim that the travel itself constitutes a form of education. You may not deduct commuting.

The federal and PA rules for educational expenses are similar, but not exactly the same. For PA purposes, costs for education expenses that you pay or incur are allowable only if:

- The education is specifically required by law or by your employer to retain an established employment status or rate of compensation; and
- The education is not part of a program that would qualify you for a new occupation, trade, or business, even if you do not intend to enter that new occupation, trade, or business.

Unlike federal rules, you may not deduct education expenses that you incur to maintain or improve your skills. **Example.** Anthony is a licensed professional in a position that, by law, requires a specific number of continuing education credits every other year. If Anthony fails to obtain these credits, he will lose his license. Anthony also takes courses in using a computer to improve his job performance. Anthony may claim the cost of his continuing education courses. He may not claim the computer courses.

You must answer question E1. If you answer **YES**, continue. If you answer **NO**, you may not claim any education expenses. You must answer questions E2 and E3. If you answer **NO** to both questions, continue. If you answer **YES** to either question, you may not claim any education expenses.

20. Enter the name of the college, university, or educational institution you attend.
21. Enter your specific course of study. Your education must meet the requirements described above.
22. Enter the amount of tuition or fees you actually paid.
23. Enter the costs of your books and other materials required for your courses.
24. Enter the cost of travel. Pennsylvania follows the federal rules for travel expenses for education.
25. **Total Education Expenses.** Add Lines 22 through 24.

Part F. Depreciation Expense

Do not report depreciation for vehicles and office or work areas in this Part. See Parts A and C above. Depreciation is the amount you can claim over the useful life of property you use in performing the duties of your employment. A depreciation expense is allowable if the property:

- Has a useful life exceeding one year; and
- Is required to be regularly and predominantly used to perform the duties of employment; and
- Is required and not provided or supplied by your employer.

Pennsylvania accepts federal depreciation and current expensing. You may use any other generally accepted depreciation method but you must use it consistently. Once you have selected a depreciation method, you may not change it.

26. **Total Depreciation Expenses.** Enter the total of column (f).

Part G. Miscellaneous Expenses

Include the expenses that you report on Line 4 of Form 2106 on Lines a through e.

You must itemize and describe in detail these expenses. Enclose an additional schedule or worksheet if you need more space. Expenses that you may claim include:

- Breakage fees or cash shortages you must pay to your employer;
- Fees or income included in your PA taxable compensation on your Form W-2 that you are required to pay over to your employer as a condition of employment;
- Costs incurred by blind employees to pay readers who assist them in performing their job duties;
- Business gifts are those that are ordinary, necessary, reasonable, and actually incurred for business purposes.

Pennsylvania does not follow federal percentage limits on such expenses.

IMPORTANT

You may be a statutory employee for federal purposes. However, PA law does not have a similar provision. As an employee, you must claim your expenses on PA Schedule UE. If you are self-employed, you must report your business activity on Line 4 of your PA-40 and enclose the necessary PA Schedule C.

27. Total Miscellaneous Expenses. Enter the total of Part G (Lines a through e.)

28. Total Expenses

Add the expenses you are claiming on Lines 10, 15, 16, 19, 25, 26, and 27. If you are a nonresident or part-year resident who earned income and incurred expenses within and outside Pennsylvania, you must complete PA Schedule NRH.

29. Reimbursements

If your employer included your reimbursement in PA taxable compensation on your Form W-2, do not enter that reimbursement here. If your employer **did not** include your reimbursement on your Form W-2, enter the amount you received from your employer.

30. Net Expense or Reimbursement

- If Line 29 is less than Line 28, enter the difference on Line 1b of your PA-40.
- If Line 29 is more than Line 28, include your excess reimbursement on Line 1a of your PA-40.

Keep Your Records

The Department may ask that you substantiate the amount and nature of the your business expenses. Keep your necessary documents, receipts, vouchers, and other records for at least four years. You must be able to prove that your expenses are ordinary, actual, reasonable, and necessary.