

A. Include detailed documentation for each line item (including copies and a summary page) at the time the return is filed. Examples of proper documentation, supporting specific line items, can be found at www.revenue.pa.gov.

B. Documentation should clarify unreimbursed expense responsibilities.

Letters from employers should identify:

- Whether or not an employee is required to incur the expenses to perform the duties of the position;
- If there is any reimbursement of the expenses; and
- The method by which the reimbursement is determined.

In lieu of a letter from the employer, the department will accept a copy of the employer's employee expenses reimbursement policy or a signed affidavit. Templates for the employer letter and the affidavit will be available, during filing season, at www.revenue.pa.gov.

C. If mileage is reimbursed by an employer, even at a rate less than the federal rate, it should not be claimed as UE.

The amount of the expense determined at the federal rate less the amount reimbursed is not a deductible expense. The expense should not be reported on a taxpayer's PA Schedule UE unless the reimbursement is included in the employee's compensation.

D. Reminder: PA does not follow IRS rules for per diem expenses.

If a taxpayer receives a reimbursement for any expenses where the reimbursement is based upon a per-diem rate or fixed dollar amount, the expense is not allowable and should not be included on PA Schedule UE.

E. Commuting expenses are not deductible in PA.

Commuting expenses, including mileage to and from work and parking expenses, are not allowable. For tradesmen, commuting expenses includes the mileage expense to and from any job site not more than 35 miles from the closer of the union hall or the taxpayer's home to the jobsite. Travel to a second job is considered commuting.

F. Review REV-637 for a listing of common unallowable expenses.

There is an extensive list of non-allowable business expenses detailed in [REV-637, the department's brochure on UE expenses](#). The most common errors include:

- Claiming dues and subscriptions for professional organizations or magazines; and
- Cable or internet costs (Unless there are separate cable or internet bills for a home office)

G. Cell phones may be claimed, but, only for business purposes.

Cell phone expenses claimed should be limited to calls made for business purposes when required by an employer. The employee should maintain the type of cell phone coverage that is reasonably related to the needs of the employer's business, and the unreimbursed expense amount claimed must be reasonably calculated so as to not exceed expenses the employee actually incurred in maintaining the cell phone. Monthly phone bills may be requested. Costs for family plans, bundles, or for additional lines are not reimbursable.

H. Include breakdowns of all miscellaneous expenses.

Many software vendor programs are not supplying a breakdown of the miscellaneous expenses if there are more than two items of expense. If software supports pdf attachments, please include the breakdown via that method. If software doesn't support pdf attachments, fax the information to the department using the DEX-93, Bureau of Individual Taxes Fax Cover Sheet.

I. A separate PA Schedule UE is necessary for each taxpayer.

Taxpayer and spouse cannot file and report their expenses on a single PA Schedule UE. Taxpayers working for multiple employers – and not working out of a union hall, the only exception to this rule – must also provide separate PA Schedules UE to report expenses. Excess expenses for one employer are not deductible against the income received from a second employer.

BONUS: Department Expands Review of Personal Income Tax Deductions

For tax year 2015, the Department of Revenue will expand its systemic review of personal income tax expense deductions to include examination of PA-40 Schedule C expenses. This is in addition to the unreimbursed employee business expenses and incorrectly reported wages or withholding from W-2s that were the primary focus of enhanced review last tax year.

In cases where the department believes expenses may have been erroneously reported or claimed, it will contact taxpayers to request additional supporting information before tax examiners make any adjustments. Taxpayers and practitioners may see an increase in correspondence from the department related to these expense claims.