



# Individual Income Tax: Various Income Adjustments

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Course #3115C

Taxes

2 Credit Hours

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# INDIVIDUAL INCOME TAX: VARIOUS INCOME ADJUSTMENTS

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This course covers some of the adjustments to income that you can deduct in figuring your adjusted gross income. Topics discussed include: travel, transportation, gifts, and others.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

#### Chapter 1: Other Adjustments to Income

Study the course materials from pages 1 to 52

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

#### Objectives:

- Identify what business-related expenses associated with travel, transportation, and gifts are deductible.

### **NOTICE**

All references to IRS forms and line numbers throughout this course are based on prior year or draft forms available from the IRS in late 2021. There is a possibility some of these references will change.

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: OTHER ADJUSTMENTS TO INCOME

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## Chapter Objective

### After completing this chapter, you should be able to:

- Identify what business-related expenses associated with travel, transportation, and gifts are deductible.

## I. WHAT'S NEW/REMINDERS

**Deduction for miscellaneous itemized deductions suspended.** For tax years beginning after 2017, the deduction for job-related or other miscellaneous itemized deductions subject to the 2%-of-adjusted-gross-income floor is suspended. Armed Forces reservists, qualified performing artists, and fee-based state or local government officials can continue to claim eligible business expenses as adjustments in determining adjusted gross income. Employees with impairment-related work expenses can continue to claim eligible impairment-related work expenses as itemized deductions.

**Deduction for moving expenses suspended.** For tax years beginning after 2017, the deduction for moving expenses is suspended unless you are a member of the Armed Forces who moves pursuant to a military order and incident to a permanent change of station.

**Standard mileage rate.** For 2021, the standard mileage rate for the cost of operating your car for business use is 56 cents per mile.

Car expenses and use of the standard mileage rate are explained under *Transportation Expenses*, later.

**Depreciation limits on cars, trucks, and vans.** The first-year limit on depreciation, the special depreciation allowance, and the section 179 deduction for vehicles acquired in 2021 is \$18,200. If you elect not to claim a special depreciation allowance for a vehicle placed in service in 2021, the first-year limit is \$10,200.

**Special depreciation allowance.** For 2021, the first-year special (“bonus”) depreciation allowance on qualified property (including cars, trucks, and vans) is 100% for qualified property acquired and placed in service after September 27, 2017, and before January 1, 2023.

**Meals and entertainment.** In 2021, entertainment expenses generally are not deductible. Only non-entertainment-related meals are deductible, and the 50% limitation on the deduction of meals has not changed.

## II. INTRODUCTION

You may be able to deduct the ordinary and necessary business-related expenses you have for:

- Travel,

- Non-entertainment-related meals,
- Gifts, or
- Transportation.

An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

This chapter explains the following.

- What expenses are deductible.
- How to report your expenses on your return.
- What records you need to prove your expenses.
- How to treat any expense reimbursements you may receive.

**Who does not need to use this chapter.** The information in this chapter does not apply to you if you are an employee and all of the following are true.

- You fully accounted to your employer for your work-related expenses.
- You received full reimbursement for your expenses.
- Your employer required you to return any excess reimbursement and you did so.
- There is no amount shown with a code L in box 12 of your Form W-2, Wage and Tax Statement.

If you meet all of these conditions, there is no need to show the expenses or the reimbursements on your return. See *Reimbursements*, later, if you would like more information on reimbursements and accounting to your employer.

## Tip



If you meet these conditions and your employer included reimbursements on your Form W-2 in error, ask your employer for a corrected Form W-2.

## III. TRAVEL EXPENSES

If you temporarily travel away from your tax home, you can use this section to determine if you have deductible travel expenses. This section discusses:

- Traveling away from home,
- Tax home,
- Temporary assignment or job, and
- What travel expenses are deductible.

It also discusses the standard meal allowance, rules for travel inside and outside the United States, and deductible convention expenses.

**Travel expenses defined.** For tax purposes, travel expenses are the ordinary and necessary expenses (defined earlier) of traveling away from home for your business, profession, or job. You will find examples of deductible travel expenses in Table 20-1.

### **TABLE 1-1. TRAVEL EXPENSES YOU CAN DEDUCT.**

*This chart summarizes expenses you can deduct when you travel away from home for business purposes.*

<b>IF you have expenses for...</b>	<b>THEN you can deduct the cost of...</b>
<b>transportation</b>	travel by airplane, train, bus, or car between your home and your business destination. If you were provided with a ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero. If you travel by ship, see <i>Luxury Water Travel</i> and <i>Cruise Ships</i> (under <i>Conventions</i> ) in Pub. 463 for additional rules and limits.
<b>taxi, commuter bus, and airport limousine</b>	fares for these and other types of transportation that take you between: <ul style="list-style-type: none"> <li>• The airport or station and your hotel; and</li> <li>• The hotel and the work location of your customers or clients, your business meeting place, or your temporary work location.</li> </ul>
<b>baggage and shipping</b>	sending baggage and sample or display material between your regular and temporary work locations.
<b>car</b>	operating and maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate as well as business-related tolls and parking. If you rent a car while away from home on business, you can deduct only the business-use portion of the expenses.
<b>lodging and meals</b>	your lodging and non-entertainment-related meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and related tips. See <i>Meals and Incidental Expenses</i> , earlier, for additional rules and limits.
<b>cleaning</b>	dry cleaning and laundry.