



Instructions for Form 2106

Employee Business Expenses

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

What's New

Standard mileage rate. The 2008 rate for business use of your vehicle is 50¢ per mile (58¢ per mile after June 30, 2008).

Special depreciation allowance. Generally, new vehicles purchased and placed in service in 2008 qualify for a special depreciation allowance. The special allowance is a depreciation deduction equal to 50% of the adjusted basis of the vehicle. For more details see page 6.

Depreciation limits on vehicles. For 2008, the first-year limit on depreciation, special depreciation

allowance, and section 179 deduction for most vehicles has increased to \$10,960 (\$2,960 if you elect not to claim the special depreciation allowance). For trucks and vans, the first-year limit has increased to \$11,160 (\$3,160 if you elect not to claim the special depreciation allowance). For more details, see pages 7 and 8.

Meal expenses. The percentage of meal expenses that can be deducted by employees subject to the Department of Transportation (DOT) hours of service limits has increased to 80%.

Purpose of Form

Use Form 2106 if you were an employee deducting ordinary and necessary expenses for your job. See the flowchart below to find out if you must file this form.

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. 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.

Form 2106-EZ. You may be able to file Form 2106-EZ, Unreimbursed Employee Business Expenses, provided you:

- Use the standard mileage rate (if claiming vehicle expense), and
- Were not reimbursed by your employer for any expense (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).

See Form 2106-EZ to find out if you qualify to file it.

Who Must File Form 2106

A Were you an employee during the year?

No → Do not file Form 2106. See the instructions for Schedule C, C-EZ, E, or F.

Yes → **B** Did you have job-related business expenses?

No → Do not file Form 2106.

Yes → **C** Were you reimbursed for any of your business expenses (count only reimbursements your employer did not include in box 1 of your Form W-2)?

No → **D** Are you claiming job-related vehicle, travel, transportation, meals, or entertainment expenses?

Yes → File Form 2106 (but see Notes below).

Yes → **E** Are you a musician, a qualified performing artist, a fee-based state or local government official, or an individual with a disability claiming impairment-related work expenses? See the line 10 instructions for definitions.

No → Do not file Form 2106. Enter expenses on Schedule A (Form 1040), line 21, or Schedule A (Form 1040NR), line 9. These expenses include business gifts, education (tuition and books), home office, trade publications, etc.

No → Do not file Form 2106.

Yes → **F** Did you use a vehicle in your job in 2008 that you also used for business in a prior year?

No → **H** Are your deductible expenses more than your reimbursements (count only reimbursements your employer did not include in box 1 of your Form W-2)? For rules covering employer reporting of reimbursed expenses, see the instructions for line 7.

No → **I** Is either (1) or (2) true?

1 You owned this vehicle and used the actual expense method in the first year you used the vehicle for business.

2 You used a depreciation method other than straight line for this vehicle in a prior year.

Yes → File Form 2106.

No → **G** File Form 2106 (but see Notes).

Notes

- Generally, employee expenses are deductible only on line 21 of Schedule A (Form 1040) or line 9 of Schedule A (Form 1040NR). But musicians, qualified performing artists, fee-based state or local government officials, and individuals with disabilities should see the instructions for line 10 to find out where to deduct employee expenses.
- Do not file Form 2106 if none of your expenses are deductible because of the 2% limit on miscellaneous itemized deductions.