



Instructions for Form 2106

Employee Business Expenses

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 1 hr., 38 min.
- Learning about the law or the form** 18 min.
- Preparing the form** 1 hr., 14 min.
- Copying, assembling, and sending the form to the IRS** 42 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office

of Management and Budget at the addresses listed in the instructions for Form 1040.

General Instructions

Purpose of Form

Use Form 2106 if you are an employee and are deducting expenses attributable to your job. See the chart at the bottom of this page to see if you must file this form.

Items To Note

- If your employer provided a vehicle for your business use and included 100% of its annual lease value on your Form W-2, see the instructions for line 25, Part II. You may be able to deduct a portion of the annual lease value if you use your actual expenses to figure your vehicle expense deduction.
- If a vehicle was used more than 50% for business in the year it was placed in service, and used 50% or less in a later year, part of the depreciation and section 179 deduction may have to be recaptured. Figure the depreciation and section 179 deduction

recapture on **Form 4797**, Sales of Business Property.

Additional Information

If you need more information about employee business expenses, you will find the following publications helpful:

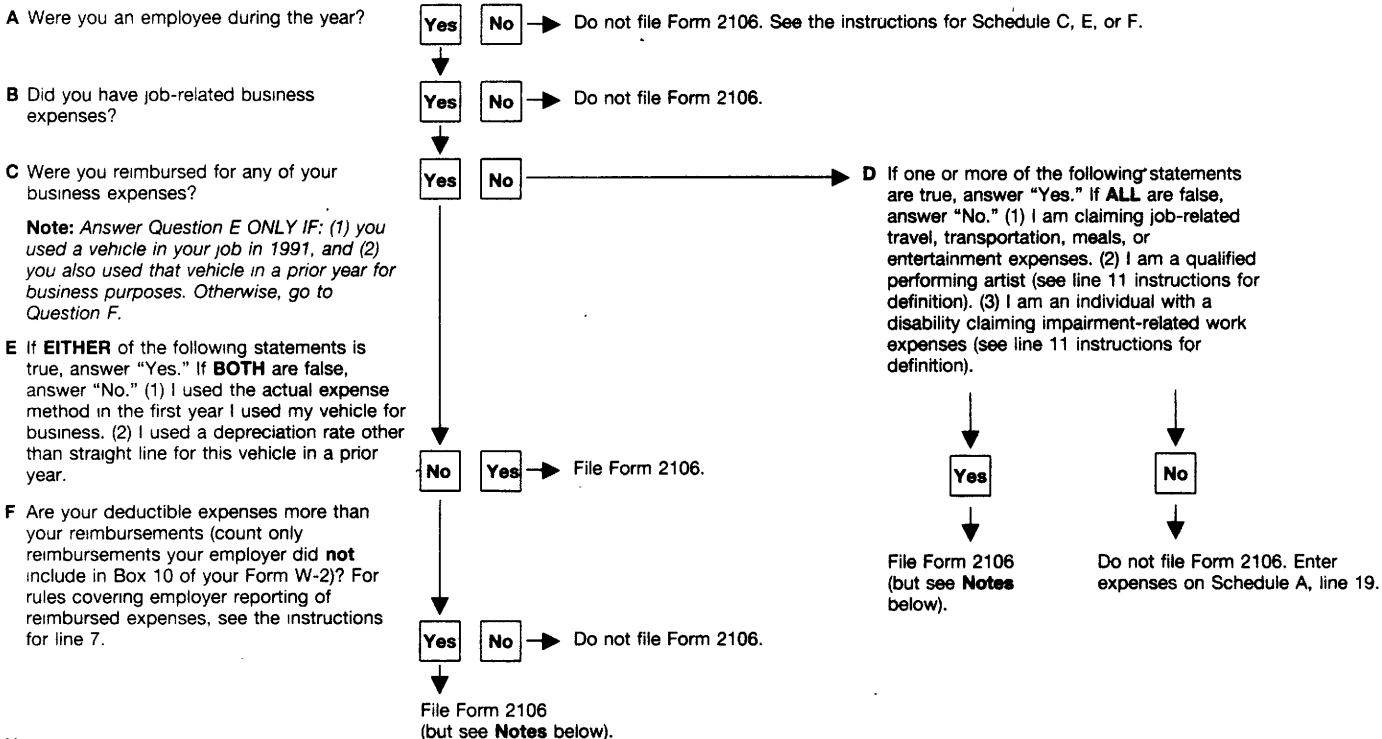
- Pub. 463**, Travel, Entertainment, and Gift Expenses
- Pub. 529**, Miscellaneous Deductions
- Pub. 534**, Depreciation
- Pub. 587**, Business Use of Your Home
- Pub. 907**, Tax Information for Persons With Handicaps or Disabilities
- Pub. 917**, Business Use of a Car

Specific Instructions

Part I.—Employee Business Expenses and Reimbursements

Fill out ALL of Part I if you were reimbursed for employee business expenses. If you were not reimbursed for your expenses, fill out only Steps 1 and 3 of Part I.

Who Must File Form 2106



Notes

- Generally, employee expenses are deductible only if you itemize your deductions on Schedule A (Form 1040). But **qualified performing artists** and **individuals with disabilities** should see the special instructions for line 11 for where to deduct employee expenses.
- Do not file Form 2106 if none of your expenses are deductible because of the 2% limit on Schedule A (Form 1040) (that is, Schedule A, line 24 is zero).

Step 1.—Enter Your Expenses

Line 1.—Enter your vehicle expenses from Part II, line 22 or line 29.

Line 2.—Enter parking fees, etc., that did not involve overnight travel. Do not include transportation expenses for commuting to and from work. See the line 17 instructions for the definition of **commuting**.

Line 3.—Enter expenses for lodging and transportation connected with overnight travel away from your **tax home**. Do not include expenses for meals and entertainment.

Generally, your **tax home** is your main place of business or post of duty regardless of where you maintain your family home. If you do not have a regular or main place of business because of the nature of your work, then your tax home is the place where you regularly live. If you do not fit either of these categories, you are considered an itinerant and your tax home is wherever you work. As an itinerant, you are not away from home and cannot claim a travel expense deduction. For more details on tax home, see Pub. 463.

Line 4.—Enter other job-related expenses not listed on any other line on this form. Include expenses for business gifts, education (tuition and books), home office, trade publications, etc. If you are deducting home office expenses, get Pub. 587 for special instructions on how to report your expenses. If you are deducting depreciation on a cellular telephone or other similar telecommunications equipment, a home computer, etc., get **Form 4562**, Depreciation and Amortization, to figure the depreciation. Enter the depreciation on line 4.

Do not include expenses for meals and entertainment, taxes, or interest. Deductible taxes are entered on lines 5 through 8 of Schedule A. Car loan interest is no longer deductible.

Line 5.—Enter your allowable meals and entertainment expense. Include meals while away from your tax home overnight and other business meals and entertainment. Instead of actual cost, you may include your expenses for meals while away from your tax home overnight at the maximum rate authorized to be paid by the Federal Government for meals and incidental expenses in the locality where the travel was performed. For details, including the maximum rate, see Pub. 463.

Step 2.—Enter Amounts Your Employer Gave You for Expenses Listed in Step 1

Line 7.—Enter the amounts your employer (or third party) gave you for expenses shown in Step 1 that were NOT reported to you in Box 10 of your Form W-2. This includes any amount reported under code "L" in Box 17 of Form W-2. Amounts reported under code "L" are certain reimbursements you received for business expenses that were not included as wages on Form W-2 because the expenses were treated as meeting specific IRS substantiation requirements.

Generally, when your employer pays for your expenses, the payments should not be included in Box 10 of your Form W-2 if, within a reasonable period of time, you (1) accounted to your employer for the expenses, AND (2) were required to return, and did return, any payments not spent (or considered not spent) for business expenses.

If these payments were included in Box 10, ask your employer for a corrected Form W-2.

Accounting to your employer means that you gave your employer documentary evidence and an account book, diary, or similar statement to verify the amount, time, place, and business purpose of each expense. You are also treated as having accounted for your expenses if either of the following applies:

- Your employer gave you a fixed travel allowance that is similar in form to the per diem allowance specified by the Federal Government and you verified the time, place, and business purpose of each expense. See Pub. 463 for more details.
- Your employer reimbursed you for vehicle expenses at the standard mileage rate or according to a flat rate or stated schedule, and you verified the date of each trip, mileage, and business purpose of the vehicle use. See Pub. 917 for more details.

Allocating Your Reimbursement. If your employer paid you a single amount that covers both meals and entertainment, as well as other business expenses, you must allocate the reimbursement so that you know how much to enter in Column A and Column B of line 7. Use the following worksheet to figure this allocation.

Worksheet	
1. Enter the total amount of reimbursements your employer gave you that were not reported to you in Box 10 of Form W-2	_____
2. Enter the total amount of your expenses for the periods covered by this reimbursement	_____
3. Of the amount on line 2, enter your total expense for meals and entertainment	_____
4. Divide line 3 by line 2. Enter the result as a decimal (to at least two places)	_____
5. Multiply line 1 by line 4. Enter the result here and in Column B, line 7	_____
6. Subtract line 5 from line 1. Enter this result here and in Column A, line 7	_____

Step 3.—Figure Expenses To Deduct on Schedule A (Form 1040)

Line 8.—If line 8, Column A, is less than zero, you have an excess reimbursement that must be reported as income. In this case, include the excess reimbursement in wages on Form 1040, line 7.

Line 11.—If you are a qualified performing artist (defined below), include your performing arts-related expenses in the total on Form 1040, line 30. Write "QPA" and the amount in the space to the left of line 30. Your performing arts-related business expenses are deductible whether or not you itemize deductions on Schedule A. The expenses are not subject to the 2% limit that applies to most other employee business expenses.

A **qualified performing artist** is an individual who (1) performed services in the performing arts as an employee for at least two employers during the tax year, (2) received at least \$200 from each of these employers, (3) had allowable business expenses attributable to the performing arts of more than 10% of gross income from the performing arts, and (4) had adjusted gross income of \$16,000 or less before deducting expenses as a performing artist.

See Pub. 529 for more details.

If you are an **individual with a disability** and are claiming impairment-related work expenses (defined below), enter the line 11 amount on Schedule A, line 25, instead of on Schedule A, line 19. Your impairment-related work expenses are not subject to the 2% limit that applies to most other employee business expenses.

Impairment-related work expenses are the allowable expenses of an individual with physical or mental disabilities for attendant care at his or her place of employment. They also include other expenses in connection with the place of employment that enable the employee to work.

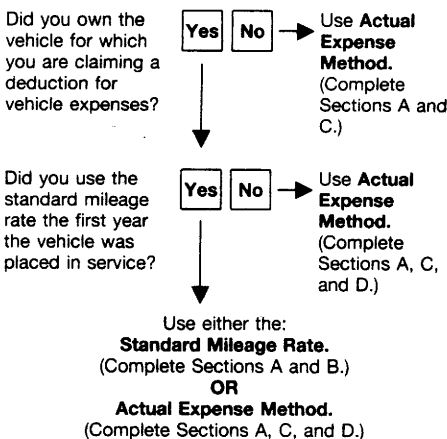
See Pub. 907 for more details.

Part II.—Vehicle Expenses

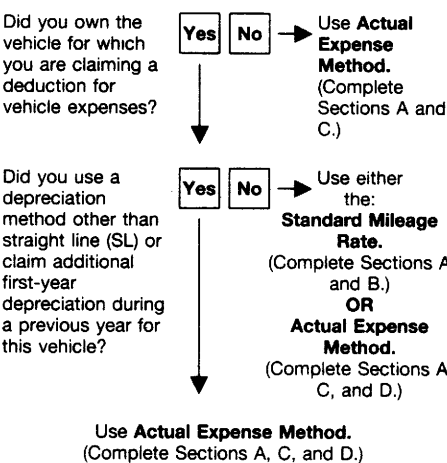
There are two methods for computing vehicle expenses—the Standard Mileage Rate and the Actual Expense Method. In some cases, you must use the Actual Expense Method instead of the Standard Mileage Rate. Use the following two flowcharts to see which method you should use. Rural mail carriers should see the line 22 instructions instead of using the flowcharts for special rules that apply to them.

If you have the option of using either the Standard Mileage Rate or Actual Expense Method, you should calculate your expenses using each method, and use the method most advantageous to you.

For Vehicles Placed in Service After 1980



For Vehicles Placed in Service Before 1981



Section A.—General Information

All individuals claiming vehicle expenses must complete Section A.

If you used two vehicles for business during the year, use a separate column for each vehicle in Sections A, C, and D. If you used more than two, attach a computation using the format in Sections A, C, and D.

Line 12.—Date placed in service is generally the date you first start using your vehicle. However, if you first start using your vehicle for personal use and later convert it to business use, the vehicle is treated as placed in service on the date you started using it for business.

Line 13.—Enter the total mileage each vehicle was driven for all purposes during the year. If you changed your job during the year to one in which you started using a vehicle, enter only the total mileage for the months the vehicle was used in your new job.

Line 14.—Do not include commuting mileage on this line; it is not business mileage.

Line 15.—Divide line 14 by line 13 to figure your business use percentage. If you changed your job during the year to one in which you used your vehicle for business, multiply this percentage by the number of months the car was used in your new job, and divide the result by 12.

Line 16.—Enter your average daily round trip commuting distance. If you go to a different business location each day, figure the average.

Line 17.—If you do not know your total actual commuting mileage for the year, figure your commuting mileage by multiplying the number of days during the year that you used each vehicle to drive to and from your regular place of business by the average round trip commuting mileage. If you go to more than one regular place of business, figure the average. **Commuting mileage** is the mileage between your home and any location at which you work or perform services on a regular basis even if you do not go to the same location each day. However, mileage between your home and a location at which you perform services on an irregular or short-term basis (generally a matter of days or weeks) is not commuting mileage. If you changed jobs (see line 13), enter the commuting mileage for the period of time you used your vehicle for business in the new job.

Section B.—Standard Mileage Rate

If you do not own the vehicle, skip Section B and go to Section C.

You may use the standard mileage rate instead of actual expenses to figure the deductible costs of operating a passenger car, including a van, pickup, or panel truck. If you want to use the standard mileage rate for a car placed in service after 1980, you must do so in the first year you place your car in service. In later years you may deduct actual expenses, but you may not use a depreciation method other than straight line. If you do not use the standard mileage rate in

the first year, you may not use it for that car for any subsequent year.

You may also deduct state and local personal property taxes. Include state and local personal property taxes on Schedule A, line 7.

Line 22.—If you are a rural mail carrier (defined below) and you use the standard mileage rate to figure your vehicle expense, multiply the number of miles on line 14 by 41.25 cents (.4125) instead of 27.5 cents.

You may use the higher mileage rate if you (1) were an employee of the U.S. Postal Service in 1991, (2) used your own vehicle to collect and deliver mail on a rural route, and (3) did not claim depreciation for the vehicle for any tax year beginning after 1987.

If you are also claiming the standard mileage rate for mileage driven in another business activity, you must figure the deduction for that mileage on a separate Form 2106.

See Pub. 917 for more details.

Section C.—Actual Expenses

Line 23.—Enter your total annual expenses for gasoline, oil, repairs, insurance, tires, license plates, or similar items. Do not include state and local personal property taxes or interest expense you paid. Include state and local personal property taxes on Schedule A, line 7. Car loan interest is no longer deductible.

Line 24a.—If you rented or leased a vehicle during the year instead of using one you own, enter the cost of renting. Also, include on this line any temporary vehicle rentals not included on line 3 such as when your car was being repaired.

Line 24b.—If you leased a vehicle for a term of 30 days or more after June 18, 1984, you may have to reduce your deduction for vehicle lease payments by an amount called the **inclusion amount**. You may have to enter the inclusion amount on line 24b if—

The lease term began:	And the vehicle's fair market value on the first day of the lease exceeded:
After 12/31/86	\$12,800
After 12/31/85 but before 1/1/87	\$28,000
After 4/2/85 but before 1/1/86	\$32,400
After 12/31/84 but before 4/3/85	\$40,500
After 6/18/84 but before 1/1/85	\$46,500

See Pub. 917 for instructions on how to figure the inclusion amount. Enter the inclusion amount on line 24b. If you have no inclusion amount, leave line 24b blank.

Line 25.—If during 1991 your employer provided a vehicle for your business use, and included 100% of its annual lease value in Box 10 of your Form W-2, enter this amount on line 25. If less than 100% of the annual lease value was included in Box 10 of your Form W-2, do not include this amount here. Instead, include the value of the business use on line 7 if you are claiming a deduction for vehicle expenses.

Section D.—Depreciation of Vehicles

Depreciation is an amount you can deduct to recover the cost or other basis of your vehicle over a certain number of years. In some cases, you may elect to expense, under Internal Revenue Code section 179, part of the cost of your vehicle in the year of purchase. For more details, see Pub. 917.

Line 30.—Enter the vehicle's actual cost or other basis (unadjusted for prior years' depreciation). If you traded in your vehicle, your basis is the adjusted basis of the old vehicle (figured as if 100% of the vehicle's use had been for business purposes) plus any additional amount you pay for your new vehicle. Reduce your basis by any diesel fuel tax credit. For any vehicle purchased after 1986, add to your basis any sales tax paid on the vehicle.

If you converted the vehicle from personal use to business use, your basis for depreciation is the smaller of the vehicle's adjusted basis or its fair market value on the date of conversion.

Line 31.—If 1991 is the first year your vehicle was placed in service and the percentage on line 15 is more than 50%, you may elect to deduct as an expense a portion of the cost (subject to a yearly limit). To calculate this section 179 deduction, multiply the part of the cost of the vehicle that you choose to expense by the percentage on line 15. The total of your depreciation and section 179 deduction cannot be more than \$2,660 multiplied by the percentage on line 15. Your section 179 deduction for the year cannot be more than the excess of the income over the other deductions from your job and any other active trade or business on your Form 1040.

Caution: *If you placed more than \$200,000 of section 179 property in service during the year, use Form 4562 to figure your section 179 deduction. Enter the amount of the section 179 deduction allocable to your vehicle (from Form 4562, line 12) on Form 2106, line 31.*

Note: *For section 179 purposes, the cost of the new vehicle does not include the adjusted basis of the vehicle you traded in.*

Example:

Cost including taxes	\$15,000
Adjusted basis of trade-in	- \$ 2,000
Section 179 basis	= \$13,000
Limit on depreciation and section 179 deduction	\$ 2,660

Smaller of:

Section 179 basis, or	
Limit on depreciation and section 179 deduction	\$ 2,660
Percentage on line 15	x 75%
Section 179 deduction	= \$ 1,995

Line 32.—To figure the basis for depreciation, multiply line 30 by the percentage on line 15. From that result, subtract the full amount of any section 179 deduction (and half of any investment credit taken before 1986 unless you took the reduced credit.)

Line 33.—Use the chart below to find the depreciation method and percentage to enter on line 33. (For example, if you placed a car in service on December 1, 1991, and you use the method and percentage in column (a), enter "200 DB 5%" on line 33.) To use the chart, first find the date you placed the vehicle in service (line 12). Then select the depreciation method and percentage from column (a), (b), (c), or (d). For vehicles placed in service before 1991, use the same method you used on last year's return unless a decline in your business use requires a change to the straight line method. For vehicles placed in service during 1991, select the depreciation method and percentage after reading the explanation for each column below.

Column (a).—You may use column (a) only if the business use percentage on line 15 is more than 50%. The method in this column, the 200% declining balance method, will give you the largest deduction in the year your vehicle is placed in service. This column is also used for vehicles placed in service before 1987 and depreciated under ACRS (accelerated cost recovery system).

Column (b).—You may use column (b) only if the business use percentage on line 15 is more than 50%. The method in this column, the 150% declining balance method, will give you a smaller depreciation deduction than in column (a) for the first 3 years. However, you will not have a "depreciation adjustment" on this item for alternative minimum tax purposes. This may result in a smaller tax liability if you must file **Form 6251**, Alternative Minimum Tax—Individuals.

Column (c).—You must use column (c), or column (d) if applicable, if the business use percentage on line 15 is 50% or less. The method in this column is the straight line method over 5 years. It is optional if the business use percentage on line 15 is more than 50%.

Note: If your vehicle was used more than 50% for business in the year it was placed in service, and used 50% or less in a later year, part of the depreciation and section 179 deduction previously claimed may have to be added back to your income in the later year. Figure the amount to be included in income on Form 4797.

Column (d).—You must use column (d) if you placed your vehicle in service before 1987 and you elected the straight line method over a recovery period of 12 years.

Caution: If you placed other business property in service during the year you placed your vehicle in service (for any year after 1986), you may not be able to use the chart shown below. See Pub. 917 for the proper depreciation rate to use.

Depreciation Method and Percentage Chart

Date Placed in Service	(a)	(b)	(c)	(d)
Oct. 1—Dec. 31, 1991	200 DB 5%	150 DB 3.75%	SL 2.5%	
Jan. 1—Sept. 30, 1991	200 DB 20%	150 DB 15%	SL 10%	
Oct. 1—Dec. 31, 1990	200 DB 38%	150 DB 28.88%	SL 20%	
Jan. 1—Sept. 30, 1990	200 DB 32%	150 DB 25.5%	SL 20%	
Oct. 1—Dec. 31, 1989	200 DB 22.8%	150 DB 20.21%	SL 20%	
Jan. 1—Sept. 30, 1989	200 DB 19.2%	150 DB 17.85%	SL 20%	
Oct. 1—Dec. 31, 1988	200 DB 13.68%	150 DB 16.4%	SL 20%	
Jan. 1—Sept. 30, 1988	200 DB 11.52%	150 DB 16.66%	SL 20%	
Oct. 1—Dec. 31, 1987	200 DB 10.94%	150 DB 16.41%	SL 20%	
Jan. 1—Sept. 30, 1987	200 DB 11.52%	150 DB 16.66%	SL 20%	
Jan. 1—Dec. 31, 1986	ACRS*		SL 10%	SL 8.333%
Jan. 1—Dec. 31, 1985	ACRS*		SL*	SL 8.333%
June 19—Dec. 31, 1984	ACRS*		SL*	SL 8.333%
Jan. 1, 1981—June 18, 1984				SL 8.333%

*Enter your unrecovered basis, if any, on line 34. See Pub. 917 for more information.

Line 34.—If during the year you sold or exchanged your vehicle that was placed in service: **(a)** Before 1987, enter -0- on line 34 for that vehicle; **(b)** After 1986, multiply the result for line 34 by 50% and enter on line 34. However, if you originally placed the vehicle in service during the last 3 months of a year after 1986, multiply the result for line 34 by the percentage shown below for the month you disposed of the vehicle:

Month	Percentage
Jan., Feb., March	12.5%
April, May, June	37.5%
July, Aug., Sept.	62.5%
Oct., Nov., Dec.	87.5%

Line 36.—Using the chart below, find the date you placed your vehicle in service. Then enter on line 36 the corresponding amount from the **Limitation** column. If your vehicle was placed in service before June 19, 1984, skip lines 36 and 37 and enter on line 38 the amount from line 35.

Date Vehicle Was Placed in Service	Limitation
Jan. 1—Dec. 31, 1991	\$2,660
Jan. 1—Dec. 31, 1990	\$4,200
Jan. 1—Dec. 31, 1989	\$2,550
Jan. 1—Dec. 31, 1988	\$1,475
Jan. 1—Dec. 31, 1987	\$1,475
Jan. 1—Dec. 31, 1986	\$4,800
Apr. 3—Dec. 31, 1985	\$4,800
Jan. 1—Apr. 2, 1985	\$6,200
June 19—Dec. 31, 1984	\$6,000