

**What expenses are not allowable employee business expenses for PA personal income tax purposes?**

- Personal, living and family expenses
- Dues to fraternal organizations, professional societies, chambers of commerce and recreational clubs
- Dues and subscription costs to publications, even when the publications are related to your trade or profession
- Political candidate or campaign contributions
- Charitable contributions
- Commuting expenses
- Cost of meals while working late, unless while traveling overnight on business
- Occupational privilege taxes or assessments and other local, county, state, federal and foreign taxes
- Childcare or elder care expenses
- Life, disability and health insurance premiums
- Contributions to deferred compensation plans and other pension plans
- Legal fees (except to recover back wages), fines, penalties and bad debts
- Bribes, kickbacks and other illegal payments
- Job hunting or other employment pursuit expenses
- Malpractice insurance premiums, except when required by law or by the employer as a condition of employment
- Moving expenses for selling or purchasing a house; breaking a lease; house hunting; securing temporary lodging prior to moving; seeking new employment; moving for your own convenience; relocating to a new job or workplace less than 35 miles farther than your old commute from home to work; or moving anywhere other than within or into Pennsylvania
- Educational expenses except when required by law or by the employer
- Capital expenditures

**CONTACT INFORMATION**

Online Customer Service Center  
[www.revenue.state.pa.us](http://www.revenue.state.pa.us)

Taxpayer Service & Information Center  
Personal Taxes: 717-787-8201  
Business Taxes: 717-787-1064  
e-Business Center: 717-783-6377

1-888-PATAXES (728-2937)

Touch-tone service is required for this automated 24-hour toll-free line. Call to order forms or check the status of a refund. When calling, be prepared with your Social Security number and the amount of the refund you expect.

Forms Ordering Message Service  
1-800-362-2050

Service for Taxpayers with Special Hearing and/or Speaking Needs  
1-800-447-3020

Call or visit your local Department of Revenue district office, listed in the blue pages of local telephone directories.

**UNREIMBURSED  
ALLOWABLE EMPLOYEE  
BUSINESS EXPENSES  
FOR PA PERSONAL INCOME  
TAX PURPOSES**



State and federal rules for allowable business expenses differ. In some instances, federal limitations won't apply to the amount of meals and entertainment expenses. In other instances, federal rules for accounting for the expenses don't apply. Since Pennsylvania does not have federal tax accounting limitations and thresholds, 100 percent of actual unreimbursed PA allowable employee business expenses may be deducted from income for Pennsylvania personal income tax purposes.

### ***What are allowable employee business expenses?***

Under Pennsylvania law and regulation, PA allowable employee business expenses must be:

- Ordinary, customary and accepted in your industry or occupation;
- Incurred in performing your job duties;
- Reasonable in amount;
- Necessary to enable you to properly perform your job duties; and
- Directly related to performing your job duties.

The PA Department of Revenue may request evidence the expenses claimed are unreimbursed business expenses.

In addition, the evaluation of the amount of depreciation and the depreciation method chosen for federal tax purposes may also be appropriate in determining PA allowable employee business expenses. Pennsylvania allows generally accepted depreciation methods and current expensing but does not allow federal bonus depreciation and limits IRC Section 179 expensing.

### ***My spouse and I file a joint return. May we combine expenses and submit one PA Schedule UE?***

Even when filing jointly, you and your spouse must submit a separate PA Schedule UE for each employer, and you may not combine expenses.

You and your spouse must file separate PA Schedules UE if any of the following conditions apply:

- You both incur unreimbursed allowable business expenses even if you both work for the same employer;
- You each incur expenses for different employers; and/or
- You each incur expenses in more than one specific occupation.

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

### ***I work for multiple employers and have expenses related to each employer. May I file one PA Schedule UE and combine all of my expenses?***

No. You must submit a separate PA Schedule UE for each employer. Expenses in excess of income from one employer may not be used to offset the income from another employer.

### ***How do I know when to claim reimbursements for expenses as income?***

You must report all reimbursements and allowances paid by your employer as compensation unless:

- 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
- You are required to account for these expenses to your employer, and your employer reimbursed you for the exact amount of the allowable business expenses.

**NOTE:** You must be able to substantiate travel details - including time, place and business purpose - and actual expense amount when claiming travel expenses. If you receive a fixed mileage allowance, time, place and business purpose are considered substantiated. However, Pennsylvania does not follow the federal limitations on allowable expenses. Per diem rates allowable for federal purposes are not allowable for PA personal income tax purposes as the amount of the deductible expense. Only expenses actually incurred are deductible.

### ***What is an example of a business expense not considered an allowable business expense?***

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

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

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

### ***What if my reimbursements are more than my allowable business expenses?***

The excess is taxable as compensation.

**Example:** Dave is a salesman who earns gross compensation of \$30,000, and he incurred allowable business expenses of \$3,000. He received \$3,500 in reimbursement from his employer. Dave must report the excess reimbursement of \$500 as compensation, making his total taxable compensation \$30,500.

If Dave's reimbursement was \$2,000, his taxable compensation would be \$29,000.

In both instances, Dave must complete PA Schedule UE.