

PLANNING FOR YOUR SABBATICAL SOME TAX CONSIDERATIONS

Sabbaticals have implications for the amount of federal income tax you pay. The nature of those implications is dependent on whether your sabbatical is in West Michigan or another location.

I. General rules for deductible expenses

- A. You can claim a deduction for expenses deemed “ordinary and necessary” that are directly connected with your profession when you are not reimbursed by your employer.

Definition of “ordinary”-An expense connected with a common and accepted practice in your profession.

Definition of “necessary”-One that is appropriate and helpful in developing or maintaining your profession. (It does not mean indispensable.)

II. Miscellaneous deductions

- A. Miscellaneous deductions must exceed 2% of adjusted gross income to be claimed in a given calendar year. Therefore work to cluster deductible expenses in one tax year rather than spreading them over two years.
- B. Total deductions for miscellaneous and other categories of deduction should exceed the total IRS standard deduction to make the itemizing of such deductions of value. (Other categories include medical/dental expenses, property taxes, home mortgage interest, charitable gifts)

- C. Types of miscellaneous job-related items that can be claimed:

Airfare	Journals and other periodicals
Books	Newspapers and magazines
Desks, chairs, etc.	Publication costs
Equipment-Lab or office	Software
Lab coats	Telephone expenses
Leased car	

- D. There are special requirements to deduct the expenses of *listed property*. Items in this category include cars, home computers, property that can also be use for entertainment (cameras, etc.), and cell phones. Such items:

- 1.) Must be purchased as a condition of employment
- 2.) Can be expensed immediately or depreciated over time if purchased for more than 50% work-related purposes.

- 3.) Can be depreciated according to special IRS rules if purchased and used 50% or less for work-related purposes.
- 4.) Must have records that include date, work-related purpose and length of time used.

III. Home office

A. Required criteria that must be met

- 1.) The portion of the home must be used exclusively and regularly for business purposes (no combinations with the family room, etc.).
- 2.) The home office must be the taxpayer's principal place of business.
- 3.) The home office must be for the convenience of the employer.

B. If such a room in your home qualifies, specific home office deductions may be available for a sabbatical that is focused on research and writing for outside groups, particularly if they are income producing.

IV. Sabbaticals away from home

A. Sabbaticals away from West Michigan are classified as "temporary jobs away from home" and governed by the IRS rules about such temporary jobs.

- 1.) The definition of "away from home" is documentation that you have a fixed home in a different location than your temporary job. Such documentation occurs if you rent out your Grand Rapids home temporarily.
- 2.) Additional deductions available for sabbaticals that are away from home:

Cleaning	Lodging
Commuting	Meals
Laundry	Transportation to and from temporary location
- 3.) These deductions apply only to employees' expenses, not to those of other families members.
- 4.) There are special rules for travel outside the U.S. when it combines business and pleasure.

V. Moving expenses

A. Moving expenses for temporary jobs can be taken as an "adjustment to income". This is more beneficial than having them listed as an itemized deduction.

B. One cannot deduct both moving costs and travel costs to a temporary job since

these overlap. Pick one category or the other.

- C. If you are moving to a foreign location, you can deduct the cost of storage while away and the costs of moving items to and from storage.

VI. Travel expenses

- A. To be deductible travel expenses must be nonreimbursable, ordinary and necessary.
- B. Travel expenses can be deducted for professional meetings, temporary jobs out of town, or in connection with outside business activity (research, writing and publishing).
- C. Documentation must include the place of travel, the dates, the work-related reason, and a daily list of deductible expenses. Keep your receipts.

VII. Renting out your home

- A. Rent must be reported as income but associated expenses can be reported as a deduction against income. If rental expenses end up exceeding rental income (assuming rental at a market rate), there are special rules allowing the deduction of losses.

VIII. **SEEK PROFESSIONAL ADVICE**

The purpose of the above outline is to suggest areas in which you may have tax-related benefits. There are detailed IRS rules in most of these areas that must be followed. Be sure to obtain professional advice on anything that is not directly and clearly stated in publicly available general tax information.