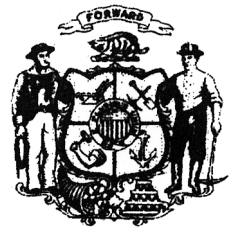




Wisconsin Elected Official

TAX GUIDE

for the calendar year ending
DECEMBER 31, 2008



A service provided by the
**Wisconsin Institute of
Certified Public Accountants**

March 2, 2009

Dear Wisconsin Elected Official:

The Wisconsin Institute of CPAs is pleased to provide you with the *Wisconsin Elected Official Tax Guide* for the calendar year ending December 31, 2008.

This guide is intended to provide a brief discussion of the tax laws as they apply to state legislators and other elected officials. Expenditures incurred in performance of your official duties are generally deductible provided contemporaneous records are maintained detailing who, what, when, where and how much.

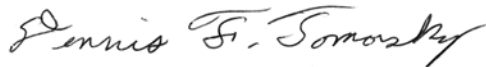
Since this guide is not intended to cover all tax matters related to an individual's tax return, I would encourage you to consult your Certified Public Accountant or other tax advisor for any further questions you may have that are not covered in this guide. Items of a personal nature, such as medical expenses, interest, tax expenses and charitable contributions, or tax matters unrelated to your position as an elected official, are not covered.

The WICPA sponsors this guide as a public service and wishes to thank Michael Donahue, a member of the WICPA Federal Taxation Committee, for his dedicated work on this project. We hope you find it useful.

If you have any suggestions for making the Guide even more helpful, please contact me directly at 262/785-0445, extension 3014 or by e-mail at dennis@wicpa.org.

Sincerely,

WISCONSIN INSTITUTE OF CPAs



Dennis F. Tomorsky
CEO

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Attachments

1. Form 2106 – Employee Business Expenses (with instructions)
2. Form 1120-POL – U.S. Income Tax Return for Certain Political Organizations (with instructions)
3. Exhibit C – Record Keeping Requirement For Travel, Entertainment and Gifts
4. Exhibit D – Model Form for Making Election to Use Internal Revenue Code Section 162(H) for Federal and Wisconsin Income Tax Purposes
5. Exhibit E, Part 1 – Annual Summary Business Travel Log
6. Exhibit E, Part 2 – Monthly Business Travel Log
7. Exhibit F – Leased Automobile Expense Table

GENERAL LIMITATIONS

As a state legislator or other elected official, you are generally subject to the same federal and state income tax rules applicable to business people and other private citizens. An important rule is that expenses incurred in the performance of your official duties are considered “employee business expenses.”

You must distinguish between those business expenses for which you are reimbursed and those for which you are not reimbursed. Reimbursed expenses are generally treated much more favorably than unreimbursed expenses of employees.

Reimbursed expenses

These expenses are non-taxable to the extent that the reimbursements are incurred under an “accountable” reimbursement plan that meets the following three qualifications:

1. The allowances or reimbursements relate to expenses paid by the employee in connection with the employer’s business;
2. The employee provides the employer with substantiation for the expenses covered by the arrangement; and
3. The employee returns any amount received in excess of the substantiated expenses within a reasonable time.

Fortunately, a per diem or other fixed allowance you receive from your employer is deemed under the regulations to have satisfied the second “substantiation” requirement up to the lesser of the amount of the allowance or the amount approved by the Internal Revenue Service (IRS). Additionally, you must provide your employer with a statement regarding the time, place and business purpose of your “away-from-home” meals and lodging expenses. By submitting your monthly expense voucher to the State of Wisconsin, you should meet this requirement. As discussed in Record Keeping Tips, page 7, you should be careful to keep your own records of business-related expenditures.

Problem: Residence within 50 miles of Capitol Building

A problem arises in applying the “accountable” plan rules when you are a legislator whose residence within the legislative district you represent is 50 or fewer miles from the state capitol building and are therefore ineligible to make the tax home election described on page 6. The IRS and Wisconsin Department of Revenue have taken the position that since the State of Wisconsin has no reasonable basis for anticipating that the allowances paid to you are being used for deductible travel expenses away from your home, this arrangement is not considered an accountable reimbursement plan. Accordingly, as discussed below, not only must social security taxes and other state and federal income and unemployment taxes be paid or withheld from the allowances in this setting, any otherwise deductible travel expense, which you incur, must be considered a miscellaneous itemized deduction.

Since this is considered a nonaccountable reimbursement plan, the State of Wisconsin will include the amount of per diem reimbursement allowance received as wages in Box 1 on your 2008 W-2s. This issue should not affect you if your residence within the legislative district you represent is more than 50 miles from the state capitol.

Miscellaneous items and considerations

Unreimbursed expenses and reimbursed expenses incurred under “non-accountable” reimbursement plans are classified unfavorably as miscellaneous itemized deductions. Miscellaneous itemized deductions are deductible only to the extent they exceed, in the aggregate, 2% of your “adjusted gross income.” Report them on Form 2106 and Schedule A (Form 1040).

Please note with the recent federal changes in the allowable catch-up pension limits and new maximum deferrals for IRAs and pension contributions, there will be an ongoing federal and state basis difference. Wisconsin chose not to pass legislation to adopt this federal change. Please consult your Certified Public Accountant or other tax advisor on this issue.

Business expenses for meals and entertainment have been further limited by the Tax Reform Act of 1986 and the 1993 Revenue Reconciliation Act. To the extent meal and entertainment expenses exceed reimbursement, such expenses must be reduced by 50% before application of the 2% adjusted gross income limitation. These limitations are taken into account when federal Form 2106 and Schedule A (Itemized Deductions) are completed. The deduction of club dues is also limited or not allowed. Please consult your Certified Public Accountant or other tax advisor on this issue.

Deductions for travel expenses are denied when paid or incurred with respect to a companion accompanying the taxpayer on business travel unless (1) the companion is an employee of the taxpayer, (2) the travel of the companion is for a bona fide business purpose, *and* (3) the expense would otherwise be deductible by the companion.

See the Entertainment and Meal Expenses, page 16, for examples.

TAX HOME

As a general rule, your tax “home” (away from which on business your living expenses are deductible) is your office, the business place where your job requires you to spend most of your time. If you are a state legislator, Internal Revenue Code Section 162(h) allows you to elect to have as your tax “home” your residence within the legislative district that you represent. This special tax “home” election is *not* available to you if you are an elected official other than a state legislator or if you are a state legislator whose residence within the legislative district you represent is 50 or fewer miles from the capitol building.

If you are eligible, the special tax “home” election can be an important tax planning tool. As a general rule, the election is advantageous because it allows you to deduct a per diem amount of your living expenses (meals and lodging) on each legislative day as described below.

In general, the cost of your living expenses (meals and lodging) in Madison on legislative days will not be deductible since you will be considered to be at your tax “home.” If during the year you spend more time on business activities in your district than in Madison, you may be able to consider the district as your tax home even if you do not make the tax “home” election. In this situation, which you should be able to document, it may be to your benefit not to make the election if your actual meals and lodging expenses in Madison exceed the per diem amounts previously noted (see Entertainment and Meals Section, page 16). Note, if you do not make the election, the *actual* cost of your business meals involving business discussions would in any case be deductible in accordance with the rules outlined in the Entertainment and Meals section. We strongly encourage you to consult your Certified Public Accountant or other tax advisor before you make a decision with regard to this election.

The tax “home” election is made yearly by attaching to your Form 1040 a statement containing information required by IRS regulations. Exhibit D (attached) is a model form for making this election.

Tax “Home” Election Made

If you make the state legislator tax “home” election referred to above, you may claim as a deduction for each legislative day the *greater* of:

- (1) The federal per diem for a federal employee working in Madison less 50% of the portion of the per diem allowable for meals. The federal per diem rate effective January 1, 2008 through September 30, 2008 is \$143.00/day (including \$54.00 for meals and incidentals) and from October 1, 2008 through December 31, 2008 is \$144.00/day (including \$54.00 for meals and incidentals).
- (2) The amount generally allowed for State Legislators of the State of Wisconsin for per diem while away from home (to the extent it does not exceed 110% of the federal per diem), less 50% of the portion allowable for meals. Since the Wisconsin State Legislators per diem amount is currently \$88.00 outside of Dane County and \$44.00 inside of Dane County, the federal per diem amount noted above should be used.

A legislative day includes any day the legislature is in session, on recess (provided the recess period including weekends and holidays is not longer than four days), or any day it is not in session but your physical presence is formally recorded at a meeting of a committee of the legislature. A day in session includes those in which you are expected to attend and do so and may include “pro forma” sessions. No other meal, lodging or living expenses are deductible on legislative days irrespective of the business to which they are connected.

Expenses incurred on non-legislative days are unaffected by the election except that your tax home remains your residence in your represented district. Thus, meals, lodging and other living expenses incurred for travel on non-legislative days related to your duties as a legislator or for some other business are deductible as incurred.

This election in no way affects the deductibility of expenses other than living expenses such as travel fares, telephone calls or telegrams, and local transportation. These are deductible *in addition to the per diem* as discussed in subsequent sections of this guide.

Reimbursements received for living expenses with respect to your position as a legislator must be included in income regardless of whether or not the tax “home” election is made. These reimbursements are reported on line 7 of federal Form 2106. The per diem reimbursement must be allocated between meals and other expenses in the manner prescribed by the instructions for line 7 of the Form 2106.

Tax “Home” Election Not Made or Not Available

You may claim as a deduction “actual” expenditures incurred in the performance of duties *if the election discussed above is not made or is not available*. The specific deductible expenditures are discussed in the subsequent section of this guide (see Living Expenses - When No Tax Home Election is Made, page 9). As previously discussed, if the tax home election is not available, it is likely these business-related expenses may only be taken as miscellaneous itemized deductions.

If you are a legislator whose tax “home” is Madison, living expenses incurred while in Madison are not deductible. You may deduct living expenses incurred on business trips that are at least *overnight* trips to the area you represent even though you maintain your family residence there. For example, meals and lodging at your family residence are deductible to the extent that they are properly attributable to you (and you alone) in the performance of your duties. Transportation expenses between Madison and your residence in your district are deductible only when your duties as a legislator or other business require you to be present in your district.

These general rules should be kept in mind while reading other sections of the guide. Several questions and answers in the Record Keeping Tips section (page 7) will not be applicable if your tax “home” is Madison.

RECORD KEEPING TIPS

- Q. How must travel, entertainment and other business expenses be substantiated?
- A. The most acceptable support is a clear and accurate recording at the time the expenditure is made plus necessary documentation. If, on an Internal Revenue Service or Wisconsin Department of Revenue audit, such support is found to be deficient or lacking, your personal statements must be corroborated with other evidence, such as records and witnesses. Your testimony alone is not sufficient to support a deduction.
- Q. Which elements of an expenditure must be substantiated?
- A. Who: Persons who traveled, persons entertained, etc. and business relationship.
What: Amount of each separate expenditure.
When: Time of travel, entertainment or use of facility.
Where: Place.
Why: Business purpose of each expenditure.
- (See Chart attached as Exhibit C.)
- Q. Must each of the elements be substantiated?
- A. Yes. If any one is not, the entire expenditure can be disallowed.
- Q. Are estimates of amounts acceptable?
- A. No. The amounts should be recorded exactly.
- Q. How should substantiation of travel, entertainment and business gift expenditures be maintained?
- A. The substantiation of the elements discussed above should be recorded at or near the time of use in an account book, diary, statement of expenses or similar record and supported by adequate documentary evidence (receipts, paid bills). A record prepared at a date subsequent to the expenditures has little, if any, credibility.
- Q. Is there a limit on the deductible amount of travel and entertainment expense?
- A. Yes, see the rules discussed under the Entertainment and Meal Expense section (page 16) of this guide.

- Q. What constitutes adequate documentation?
- A. Adequate documentary evidence is a receipt, bill marked paid or similar evidence. Merely maintaining a record of expenditures is insufficient.
- Q. Is documentary evidence required for every single expenditure?
- A. No. Documentation is required to support all expenditures for lodging while traveling away from home and for any other separate expenditure of \$75 or more, (except for transportation charges where the documentary evidence is not readily available). Where such evidence is not readily available for transportation charges, it will not be required.
- Q. Would a cancelled check be adequate evidence?
- A. No. A cancelled check will not by itself support a deduction without other evidence (i.e., payee's bill) demonstrating the business purpose.
- Q. How long should I retain supporting records?
- A. Proof to support a deduction must be retained as long as your income tax returns are open for audit. Generally, records should be retained for at least six years from the date the tax return was filed or due, whichever is later.
- Q. How can the business purpose of an expenditure be substantiated?
- A. The business purpose can be substantiated by noting the name, title and occupation of contacts, the type of activity, and describing the business benefit derived or expected. The business relationship of the individuals contacted must also be noted. If the group is large, you are not required to record the names of each individual present if a class designation would indicate the business purpose. (For example, "met with officers of the Wisconsin Taxpayer's Alliance").
- Q. What are the record keeping requirements for automobiles, computers, and other "mixed use" assets (i.e., items used for business *and* non-business purposes)?
- A. Though contemporaneous logs for automobiles, computers and similar items are not required, their use will better protect your tax deduction and is highly recommended. A diary or log of the business use of an auto indicating the date, destination, business purpose and mileage would provide adequate support. Exhibit E, Part 1 and Exhibit E, Part 2 are examples of logs used for automobile use. Adequate records or other sufficient evidence corroborating your own statements are required to substantiate the business use of an item for purposes of claiming deductions.

LIVING EXPENSES - WHEN NO TAX HOME ELECTION IS MADE

- Q. My principal employment is that of being a State legislator. I have no other substantial source of income and I reside in Madison a significant portion of the year. I represent a district 150 miles removed from Madison and maintain my personal family residence there. The time I devote to my employment as a legislator while living at home is considerable, but less than the time I spend working in Madison. What expenses can I deduct?
- A. The Internal Revenue Service will consider your “tax home” to be Madison unless the special election discussed in the tax home section of this guide has been made. Under these circumstances, you will not be entitled to deduct any of your living expenses while in Madison. However, since the district you represent is recognized as another post of duty, you may deduct certain living expenses while in your district overnight on legislative business. Additionally, the cost of transportation between Madison and your district would be deductible when incurred for legislative purposes.
- Q. What may I deduct for living expenses incurred in a hotel, motel or apartment while attending sessions in Madison overnight where I do not make the “tax home” election but my tax home is my residence 100 miles outside the Madison area? The time I devote to my business at my home is greater than the time I spend working in Madison overnight.
- A. You are allowed to deduct the actual rental payments, including any taxes, service charges, utilities, etc. that you may incur. If facilities are shared with others, you may deduct your share of these expenses. This is the case even though the facility is not used during a part of a month or year as long as it is maintained in order to fulfill your duties as a member of the Legislature. In any event, the actual expenses should be supported by documentary evidence. Personal use of facilities, such as when you and your family visit Madison for a social purpose, will decrease, on a percentage basis, the deductible amount.
- Q. Given the same facts noted in the immediately preceding question, can I deduct a standard amount for meals and/or lodging when I am in Madison, away from home overnight on business?
- A. This question should have limited application since those legislators who choose not to make the special tax home election in this situation will do so only if their actual meals and lodging expenses in Madison exceed the standard amounts for these items. Nevertheless, if this question is applicable to you, you are limited to the amount of the allowance you receive from the State of Wisconsin. Alternatively, you could use either the standard per diem rates specified in Revenue Procedure 2008-59 or the \$237/\$152 high-low per diem rates for January 1, 2008 through September 30, 2008 and \$256/\$158 for October 1, 2008 through December 31, 2008 (but limited to the amount of the

allowance you receive from the State of Wisconsin). Please note that this does not apply to legislators whose tax home is within a 50 mile radius of Madison. In addition, only 50% of the per diem allocable to meals is deductible for expenses paid or incurred. The per diem does not include meals that you buy for business associates.

These amounts may be deductible in accordance with the rules set forth in the Entertainment and Meal Expense section (page 16) of this guide.

- Q. Can I deduct the expense of meals I have purchased for constituents and other persons who have come to Madison where legislative business is involved?
- A. Yes. Subject to the rules discussed under the Entertainment and Meals Section (page 16) of this guide and the 2% adjusted gross income limitation, 50% of the cost of meals paid for by you is an allowable deduction. The expense must be reasonable and related to your legislative business. You should document the business purpose and who was in attendance. (See questions under Record Keeping Tips, page 7.) If you are deducting a meal per diem for the day of the business meal, your portion of the meal is not deductible. (See the per diem discussion above.)

AUTOMOBILE AND TRAVEL EXPENSES

NOTE: Most questions involving automobiles assume you own your own car. Special rules apply if you lease your car or if a corporation owns it.

Q. How do I report my mileage or automobile expenses on my tax return?

A. You are considered an employee of the State. All deductible travel and transportation mileage expenses or automobile expenses (except automobile interest) are reported on Form 2106, Employee Business Expenses. Form 2106 is attached to assist you with proper reporting on your Federal income tax return. Reimbursed and unreimbursed expenses paid under a “nonaccountable” plan are deductible as a miscellaneous itemized deduction on Schedule A to the extent they exceed 2% of your adjusted gross income.

Q. What is a “nonaccountable” plan?

A. A “nonaccountable” plan is an arrangement whereby the employee receiving reimbursements does not have to substantiate expenses to the employer or whereby reimbursements in excess of substantiated expenses are not required to be returned to the employer.

Q. What are the methods available for claiming deductions for automobile expenses incurred for business purposes?

A. The IRS allows individuals to claim deductions based on the federal “standard mileage” rates or deduct a percentage of the “actual expenses” incurred based on the percentage of business use. Below is a discussion of each method.

Q. What is the federal “standard mileage” rate?

A. The allowable rate for the first half of 2008 is 50.5 cents per mile, and for the second half of 2008 the rate is 58.5 cents per mile for business mileage. Please note the mileage rate effective January 1, 2009 decreases to 55 cents per mile. In addition to the standard mileage amount, actual expenses for parking fees and tolls during business usage are separately deductible employee business expenses related to auto usage. The business portion of any interest on a vehicle loan is deductible as well, if you are self-employed. Normally a state legislator is an employee of the state. Please be advised that the State of Wisconsin reimburses mileage at 46.5 cents per mile from January 1, 2008 through June 30, 2008 and 48.5 cents per mile after June 30, 2008. For 2009 the Wisconsin State mileage rate is currently 48.5 cents per mile.

- Q. How are automobile expenses determined under the “actual expense” method?
- A. To compute the deductible amount of actual expenses you should gather your receipts for gasoline, oil, minor repairs, tires, insurance, car washes, storage and chauffeur fees. This amount is multiplied by the business use percentage (see next question) to determine the deductible portion. The business portion of interest to purchase the vehicle is deductible for self-employed individuals only. You are not allowed a deduction for interest to purchase a vehicle if you are considered an employee of the state. Next compute the allowable depreciation (see question below). These two amounts plus the business parking fees and tolls is your total deduction for car expenses.
- Q. How is the business use percentage determined?
- A. The number of business miles driven compared to the total miles driven is the business percentage used to determine the portion of actual expenses that are deductible. Mileage that qualifies as business would include travel to meetings where you will speak or which are important for you to attend because of your position, travel to civic functions, political functions or other meetings related to your legislative duties, travel between two places of business (state legislature and another business or occupation), and travel to make an investigation to ascertain facts concerning possible legislation. Mileage from your tax home to your office which does not include an overnight stay is considered commuting and therefore can not be counted as business miles.
- Q. What about mileage expenses incurred while going to meetings during a political campaign for my re-election? Although I am running for re-election, I still feel it is important to attend these meetings to explain to my constituents the activities of the Legislature.
- A. The Internal Revenue Code specifically states that campaign expenses are not tax deductible. Because of this, it is very important for the legislator to distinguish between those expenses which are directly related to a campaign or re-election and those expenses which can be directly attributed to serving the legislator’s constituency. (See questions under Campaign Contributions and Expenditures, page 25.)
- Q. In general, how is automobile depreciation computed?
- A. Automobiles used more than 50% for business may be depreciated under the following methods: 200% declining balance, 150% declining balance or straight-line. Only the straight-line method is available for autos used 50% or less for business. All automobiles, trucks or vans (passenger autos built on a truck chassis, including minivans and SUVs built on a truck chassis) placed in service are to be depreciated over a minimum of five years. If placed in service in 2008 and used 100% for business, they are limited to an annual depreciation or Section 179 deduction as follows;
- ...for the placed-in-service year, \$2,960 for autos, and \$3,160 for trucks and vans;
 - ...for the second tax year, \$4,800 for autos, and \$5,100 for trucks and vans;
 - ...for the third tax year, \$2,850 for autos, and \$3,050 for trucks and vans; and

...for each succeeding year, \$1,775 for autos and \$1,875 for trucks and vans thereafter until the entire cost is recovered. These maximum amounts are reduced proportionately if the business use percentage is less than 100%. See page 19 of this booklet for additional information on depreciation as it pertains to SUVs, trucks and vans.

The maximum MACRS depreciation deduction on a passenger auto placed in service before 2008 depends upon the date the auto was placed in service. These limits are as follows:

	<u>AUTOS</u>	<u>TRUCKS & VANS</u>
In 1987 through 1990	\$1,475	\$1,475
In 1991	\$1,575	\$1,575
In 1992	\$1,575	\$1,575
In 1993	\$1,675	\$1,675
In 1994	\$1,675	\$1,675
In 1995 through 2002	\$1,775	\$1,775
In 2003	\$1,775	\$1,875
In 2004	\$1,775	\$1,875
In 2005	\$2,850	\$3,050
In 2006	\$4,900	\$5,200
In 2007	\$3,060	\$3,260

These amounts are reduced proportionately if the business use percentage is less than 100 per cent.

Cost recovery deductions not claimed in a recovery year due to the foregoing limitations may be taken in subsequent years, if the auto is still in service. These later deductions continue to be limited to the maximum cost recovery deduction for subsequent years.

- Q. Since I receive expense allowances from the State, would it not be best to disregard the allowances entirely and assume that they are completely offset by expenses and, therefore, not report anything?
- A. The Internal Revenue Service regulations require that you include these allowances in your income and deduct related expenses. If your allowances exceed your actual expenses, you have an excess reimbursement which will be included in taxable income. If your expenses exceed your allowances, you have a deduction. Assuming that you are considered to have an accountable reimbursement plan, the excess over the reimbursement is classified as a miscellaneous itemized deduction and is deductible if the total exceeds 2% of your Adjusted Gross Income. If you are not considered to have an accountable plan pursuant to the discussion on page 11, all of your business-related expenses would be considered miscellaneous itemized deductions.

- Q. I lease my automobile. Are there any limitations on the amount I can deduct?
- A. If the value of the automobile at the beginning of the lease is greater than \$18,500 (\$19,000 for qualifying trucks and vans) for leases beginning in 2008, a certain amount of the lease payment is not allowed as a deduction. The amount is dependent on the value of the automobile. The IRS has provided tables to assist in calculating the nondeductible portion of the leased automobile expense. (See Exhibit F.) You are also eligible to take the standard mileage instead of actual expenses if elected for the entire lease period.
- Q. If I itemize my automobile expenses one year, can I use the standard mileage allowance the following year?
- A. Generally, no. If you select the actual cost method, the standard mileage rate may not be used for that automobile, unless straight line depreciation was used in the prior year. However, if you use the standard mileage rate for the first year the car is used for business, you may switch to the actual cost method, but you then must use a straight-line depreciation rate for the remaining estimated life of the automobile.
- Q. What if the business use of my automobile decreases after the first year?
- A. Certain complex “recapture” rules apply and the law may require you to change your method of depreciation. For information on the details of these recapture rules, you should consult your Certified Public Accountant or other tax advisor.
- Q. I received a traffic violation ticket because I was rushing to get to Madison to be on time for a session or a committee meeting. Is the fine a tax deductible expense?
- A. Sorry, a traffic violation is a penalty and therefore not a deductible expense.
- Q. If I use another mode of transportation for deductible travel, such as a bus or airplane, can I deduct these expenses in addition to the mileage expense I would have incurred had I driven my car instead?
- A. You cannot claim both the mileage you would have incurred had you driven an automobile and the cost of the bus fare or airplane ticket. If you use a bus, airplane or other means of transportation, you should retain receipts and other documentation so that these expenses can be deducted.
- Q. On occasion I ride with another legislator. Do I still claim a tax deduction for the mileage for that particular trip, even though I did not drive my own car?
- A. No. When you ride with someone else and do not incur any transportation expense yourself, you cannot claim any mileage expense for that travel.

- Q. While away from home, staying in Madison for the legislative session, I am required to drive my car or take a taxi to the capitol each day. Can I deduct this as a business expense?
- A. Yes. If Madison is not considered your tax home, business transportation between your hotel and the capitol, etc., is not considered commuting. Consequently, you may deduct such transportation expense.

ENTERTAINMENT AND MEAL EXPENSES

- Q. I meet a constituent regarding a legislative problem. We have lunch or some other meal together and I pick up the check. Is this a deductible expense?
- A. Generally, yes. However, specific record keeping requirements must be met in order to deduct expenditures for meals and entertainment. You should record in your expense diary the amount spent, the date, the place of the meal or entertainment, the business reason or nature of the benefit to be derived, and the names and occupations or other information about the persons entertained in order to establish their business relationships (see Record Keeping Tips, page 7). To be a deductible meal or entertainment expense, you or one of your employees must be present at the business meal. Meal and entertainment expenses that are considered to be lavish or extravagant are not deductible. Reasonable meals and entertainment expenses are limited to 50% of the amount expended. If you are deducting the meal on a per diem basis or have made the election discussed under the Tax Home section of this guide for the year, your portion of these business meals are not deductible. In addition, as noted on page 1, any deductible, unreimbursed expense which you incur as a legislator is also subject to the 2% adjusted gross income limitation on Schedule A of Form 1040.
- Q. I occasionally entertain other elected officials, such as city council members, mayors, and congressmen, primarily for the purpose of maintaining communications with them and to explore common problems. Can I deduct this expense?
- A. Yes. The criteria for deducting entertainment costs are that such expenditures have a business purpose and that you and the persons entertained have a business relationship. If the business discussion does not take place during the entertainment, it must at least directly precede or follow the entertainment. Observe the substantiation rules described in the answer to the preceding question. In addition, if the entertainment involves anything other than a meal in surroundings conducive to a business discussion, include in your diary the time, place, duration and description of the nature of the business discussion.
- Q. While in Madison, on certain special occasions, such as St. Patrick's Day, I will have a gathering of fellow legislators and other individuals connected with the Legislature. Can I deduct the expense of this gathering as a business expense?
- A. Social gatherings are presumed to be non-business and the costs, therefore, are not deductible. However, the expenditures will be deductible if you can establish that the activity is primarily business motivated and directly related to your business of being a legislator. This will require records with documentary support which indicate the business purpose and the persons in attendance. (See Record Keeping Tips, page 7).

- Q. On traditional holidays, such as Christmas, or at the end of the session, I and fellow legislators take secretaries who have worked long hours during the session out to dinner, or buy them small gifts. Can we deduct these expenses?
- A. Expenses which are ordinary and necessary to the conduct of your business are deductible. Generally, the expense in question would qualify under these criteria provided the secretaries are your employees and not employees of the State. An individual is considered your employee only if they are directly compensated by you. Individuals carried on the legislative body's payroll, paid through a congressional allowance or employees under statutory authority are generally considered to be employees of the State. Other business gifts are limited to \$25 per-person per-year limit.
- Q. While in Madison, I stay and have some of my meals at a private club. May I deduct the cost of my dues, meals and lodging, and related expenses?
- A. Dues to a facility of a type which is generally considered to constitute entertainment, amusement or recreation are nondeductible.

This rule applies primarily to country clubs, golf and athletic clubs, airline and hotel clubs and clubs operated to provide meals and social activities. However, dues for membership in professional and trade associations and civic or public service organizations are deductible.

The deductibility of meals and lodging is covered in previous questions.

OFFICE EXPENSES

- Q. Can I deduct salary paid for administrative and clerical assistance?
- A. Yes. Salary paid in connection with your business is a deductible expense. If you hire someone, such as a full-time or part-time secretary, to assist you in legislative matters such as handling constituent questions and complaints, the compensation paid is deductible. If you pay wages, you must obtain federal and Wisconsin identification numbers as well as report and pay payroll taxes. For the details on the proper accounting and tax reporting of payrolls, you should consult your Certified Public Accountant or other tax advisor.
- Q. If I have a legislative assistant in my district who works for only a token amount each month, am I required to go through the process of filing payroll tax returns and withholding payroll taxes?
- A. In most situations, all amounts paid for services are subject to payroll tax laws. However, there are some exceptions, such as in the case of an independent contractor. Since each situation is decided on its particular facts and circumstances, you should consult your Certified Public Accountant or other tax advisor to evaluate the situations for you.
- Q. I maintain a rented office in my district for the purpose of serving my constituents. What expenses can I deduct for the cost of maintaining this office?
- A. If the office is being used exclusively for legislative purposes, all expenses related to this office - rent, utilities, depreciation on improvements and equipment, etc. - are deductible. However, to the extent that the office is used during your campaign for strictly political purposes, that portion of the total expenses is not deductible. Campaign contributions may be used to offset these campaign office expenses.
- Q. Under what circumstances can I claim expense of my home as a business expense?
- A. Generally, no deduction will be allowed with respect to expense of your personal residence unless a portion of the residence is used exclusively and regularly for administrative tasks and/or as a meeting place for constituents as your principal place of business and the State does not provide an office or other fixed location for your use. A deduction may be available if you are engaged in a trade or business in addition to that as a legislator. The qualified expenses include repairs, maintenance, insurance, utilities, depreciation, mortgage interest, real estate taxes and rent. You should consult your Certified Public Accountant or tax advisor regarding your particular situation.

- Q. I purchased a computer and printer in 2007 that I use exclusively for legislative purposes. This is an employer required expenditure. How much of the purchase price can I currently deduct as depreciation?
- A. Under Internal Revenue Code Section 179 for 2008 you can elect to currently deduct, rather than depreciate, up to \$250,000 of qualifying property (property acquired by purchase for use in the active conduct of a trade or business). This election is limited to the lesser of \$250,000 or related business income before the election. Purchase prices above this limit can be depreciated using the tables provided by the Internal Revenue Service.

Based on the Economic Stimulus Act of 2008, a bonus first-year depreciation allowance applies to “qualified” property (Code Sec. 168(k)). To be “qualified property” otherwise eligible property generally must be placed in service by the taxpayer after December 31, 2007 and before January 1, 2009 (before January 1, 2010 for certain aircraft and certain long-lived property).

For 2008 the special depreciation allowance, which is claimed in the placed-in-service year, is equal to 50% of the unadjusted basis of the qualified property. The unadjusted bases of qualified property is reduced by the bonus (additional) first-year depreciation allowance before computing the amount otherwise allowable as a depreciation deduction for the tax year and any later tax year.

If Code Sec. 179 expensing is claimed on qualified property, the amount expensed is subtracted from the asset’s unadjusted bases before the additional 50% first-year depreciation allowance is computed. Then the regular first-year depreciation (and depreciation for future years) is calculated using the adjusted basis remaining after Sec. 179 expensing and after the additional 50% first-year allowance.

These limits are for Federal purposes only. The State Sec. 179 limit is \$25,000. Note, this will cause a difference between State and Federal in the depreciable basis.

For a passenger auto that is qualified property (Code Sec. 168(k)) rated at less than 6,000 pounds and is acquired and placed in service in 2008, the combined Code Sec. 179 expensing, the regular first year depreciation allowance is capped at \$2,960.

Note – In the case of a truck or van, the 6,000 pound weight test is applied to the truck’s or van’s gross (loaded) weight rather than its unloaded gross vehicle weight. Sport-utility vehicles (SUVs) are trucks. SUVs that are rated at more than 6,000 pounds gross (loaded) vehicle weight fall outside the definition of a passenger auto and have a higher first-year luxury auto depreciation dollar cap. For new trucks and vans (passenger autos built on a truck chassis, including minivans and sport-utility vehicles built on a truck chassis) that are acquired and first placed in service in 2008, the regular first year depreciation allowance is capped at \$3,160.

For Federal purposes Code Section 179 depreciation expense is **limited** to \$25,000 of the cost of a heavy SUV (sport utility vehicle) placed in service after October 22, 2004. The \$25,000 expensing limit applies to any 4-wheeled vehicle which:

1. is primarily designed (or can be used) to carry passengers on public streets, roads and highways (except for rail vehicles), and
2. has a GVWR (gross, or loaded, vehicle weight rating) of more than 6,000 pounds but not more than 14,000 pounds.

Any remaining cost basis (over the \$25,000 already expensed using Section 179) will be depreciated over the 5-year MACRS recovery period.

Remember for State purposes the **total** Section 179 expense available per year is \$25,000.

A vehicle is **not** subject to the \$25,000 expensing limit if it:

1. is designed for more than nine individuals in seating rearward of the driver's seat;
2. is equipped with an open cargo area, or a covered box not readily accessible from the passenger compartment, of at least six feet in interior length; or
3. has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the drivers seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

Please consult a Certified Public Accountant or other tax advisor on proper application of these tables. If the property is not used 100% for business purposes, the purchase price must be reduced by the personal use percentage before applying the §179 election or depreciation table percentages. The total deduction is also reduced by the 2% adjusted gross income limitation on Schedule A.

In addition, the **Midwestern Disaster Area Victims – Special Tax Relief Act** includes depreciation rules that may affect the special depreciation and Section 179 provisions that apply in federally declared disaster areas. The special tax relief provisions apply to taxpayers in areas to which a major disaster was declared by the President May 20, 2008 thru July 31, 2008 due to severe storms, tornadoes, and flooding that occurred in any of the states of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, and Wisconsin. Please consult your Certified Public Accountant or other tax advisor to evaluate the applicability of these provisions and rules.

TELEPHONE EXPENSE

- Q. Can I deduct the cost of my personal residence telephone in my district? I use it for calling and receiving calls from constituents and for other State business.
- A. The basic cost of the telephone is an expense that you would incur whether or not you were a member of the Legislature, and is therefore a personal, nondeductible expense. Calls charged in excess of those covered by the basic rate are a deductible expense if they are business calls. If you have a telephone installed exclusively for business use, the entire cost of this telephone should be deductible if considered reasonable. Long distance telephone calls and telegrams that relate to legislative business are a deductible expense. An answering service, a tape recording device for telephone messages, facsimile machine, call waiting or other enhancements are also deductible to the extent they are directly related to business. However, to the extent that these items are related to personal purposes rather than business purposes, the costs are not deductible.

Cellular phones are considered “listed” property and subject to the same record keeping requirements as for automobiles and computers. Accelerated MACRS depreciation will not be allowed unless qualified business use is more than 50%. If such use is 50% or less, depreciation will be determined using the straight line method over a 10 year period.

ADVERTISING EXPENSE

- Q. As a member of the Legislature, I am often called upon to buy advertising in trade journals, magazines, etc. published by various organizations in my district. Can I deduct the cost of this advertising?
- A. Generally, yes. It is important that you support worthwhile business and community activities in your district, and it is necessary that you keep your name before the public. Additionally, it is advisable that any advertising purchased during a re-election campaign be paid for by campaign contributions, because political expenditures are not deductible if paid from personal funds. However, no deduction is allowed for advertising which is purchased in a convention program of a political party or in any other publication if any part of the proceeds of the publication is used, directly or indirectly, by a political party or a political candidate.
- Q. As a member of the Legislature, I am asked to purchase a ticket for and attend many dinners within my district. Can I deduct the cost of these dinners?
- A. Generally, yes. You may also deduct incidental costs, such as transportation and parking. However, if the dinner is on a day in which a per diem is claimed, the cost of the ticket to the extent it is attributable to your dinner is not deductible. In addition, these dinners are subject to the 50% limitation for meals and entertainment. No deduction is allowed if any part of the proceeds from the event is used, directly or indirectly, by a political party or a political candidate.
- Q. I buy calendars, pens or similar items which I distribute to my constituents as a means of reminding them that I am their legislator (with my address and phone number so that they can contact me when needed). Can I deduct the cost of such items?
- A. Yes, since this is directly related to your business of adequately and properly serving your constituency, you may deduct the cost of these items on your tax return.

OTHER EXPENSES

Q. What other expenses can I deduct on my tax return?

A. Other deductible expenses you are likely to incur as a member of the Legislature are as follows:

1. Stationary and postage relating to mail concerning your business as a member of the Legislature.
2. Any other supplies such as pens, paper clips, pencils, etc., that are necessary to maintain your office and serve your constituency.
3. Dues to professional organizations, business leagues, trade associations and civic and public service organizations that you have joined for business purposes. Any dues or other amounts paid to organizations in an attempt to influence the general public with respect to legislative matters, elections or referendums are not deductible. However, dues for country clubs, golf and athletic clubs, and other entertainment or recreational clubs are not deductible even if you joined for business reasons.
4. Publications, including books, newspapers and magazines, which you purchase to assist you in your work as a legislator. Expenses of this nature incurred for personal reasons are not deductible.
5. The cost of Christmas cards including envelopes, postage and photographs sent to persons having a business relationship to you in connection with your position as an elected official.
6. Cost of newsletters sent to constituents. (See Newsletter Fund, page 30).
7. Fees paid to Certified Public Accountants and others for services relating to business and income taxes.
8. Education expenses necessary for you to maintain and improve your skills as a legislator.

All of these items, like the other unreimbursed expenses discussed in this guide, are considered miscellaneous itemized deductions on Schedule A and are subject to the 2% adjusted gross income limitation.

- Q. I am in Madison for long periods of time. Occasionally I find it necessary and desirable to have my spouse (and/or children) visit me. Can I deduct the cost of their transportation to Madison and their motel and meals cost?
- A. No. Travel expenses will not be deductible for spouses, dependents or other individuals accompanying a person on a business trip unless:
- 1) the spouse, dependent or other individual is an employee of the person paying the expenses,
 - 2) the travel is for a bona fide business purpose, *and*
 - 3) the expenses of the spouse, dependent or other individual would otherwise be deductible.

CAMPAIGN CONTRIBUTIONS AND EXPENDITURES

- Q. Are campaign receipts and expenditures subject to Internal Revenue Service review?
- A. Yes. The Internal Revenue Service has ruled that campaign contributions and political gifts used solely for the expenses of an election campaign or similar purpose are not taxable income to the candidate. Any contributions that are used for personal purposes must be included in the candidate's taxable gross income. Additionally, a political organization may have to file an income tax return and may incur a tax liability. See the following questions for a further discussion of this topic.
- Q. Is it permissible to commingle political funds with personal funds?
- A. No. If funds are commingled so as to make tracing impractical, the entire fund will be presumed devoted to personal use and deemed taxable income to the candidate.
- Q. Am I required to make any disclosures to contributors regarding the nondeductibility of campaign contributions?
- A. Yes. Each campaign solicitation by a political organization is subject to disclosure requirements and must contain an express statement, in a conspicuous and easily recognizable format, that contributions or gifts to the organization are not deductible as charitable contributions.
- The disclosure requirements do not apply to any organization whose gross receipts in any tax year normally do not exceed \$100,000. However, if necessary or appropriate to prevent the avoidance of the disclosure requirement through the use of multiple organizations, the IRS may treat any group of two or more organizations as one organization for purposes of the gross receipts test.
- The disclosure requirements generally apply to any solicitation of contributions or gifts that is made in written or printed form, by television, radio or telephone. Therefore, the disclosure requirements do not apply to an in-person verbal request for contributions. A telephone call or letter that is not part of a coordinated fund-raising campaign soliciting 10 or fewer people during a calendar year is not considered solicitation. Failure to disclose that contributions are not deductible may result in a \$1,000 per day penalty, up to a maximum of \$10,000 per year. The penalty may be higher if it is determined that the organization willfully failed to provide the required disclosure.
- Q. How are proceeds derived from fund-raising dinners or testimonial dinners accounted for?
- A. The accounting and reporting for dinner proceeds are the same as for campaign contributions.
- Q. Are contributions of property, such as stocks and bonds, recorded the same as cash?

- A. Yes. The fair market value on the date of the contribution should be acknowledged as the amount of the contribution.
- Q. Are campaign expenses deductible for tax purposes?
- A. No. Campaign expenses paid from a candidate's private resources are considered non-deductible personal expenses regardless of the result of the election. Such expenses would include the cost of attending political conventions, contributions to the party which sponsored the candidacy, expenses of campaign travel, campaign advertising, expenses of successfully defending a contested election, filing fees, or the cost of legal fees paid in litigation over redistricting. Similarly, contributions made to a political candidate or to a political party are not deductible by the individual making the contribution.
- Q. What types of expenditures may be paid from campaign contributions?
- A. Expenditures properly payable from campaign contributions include amounts:
1. Used for generally recognized campaign expenses regardless of when such expenses were incurred;
 2. Contributed to national, state or local committees of the candidate's party; or
 3. Used to reimburse the political candidate for out-of-pocket campaign expense paid by him/her during a current campaign, or, if he/she is not currently campaigning, during the last previous campaign.
- Q. What is the tax status of unexpended balances of political funds refunded to contributors?
- A. For tax purposes, unexpended balances of political funds which are repaid to known contributors are not considered to be either expended or diverted and, therefore, are not taxable income to the candidate.
- Q. In what other ways may unexpended balances of political funds avoid being taxable to the candidate?
- A. Any excess funds that are unexpended will generally not be treated as taxable income to the candidate if the excess funds are (1) held in a separate bank account for reasonable anticipation of being used for future campaigns; or (2) the funds are distributed within a reasonable period of time to another political organization or a newsletter fund, an organization that qualifies as a publicly supported charity, or the general fund of the United States Treasury or any state or local government; or (3) the State of Wisconsin Common School Fund.

- Q. What reporting is required of a political committee, organization, association or fund formed for the purpose of managing campaign contributions and expenses of a candidate?
- A. Such an entity is considered an organization exempt from income tax. However, an income tax may be imposed if the organization expends funds for items not directly related to its exempt political function or if the organization earns investment income such as interest or dividends. (See the next question for a further discussion of this topic.) Form 1120-POL must be filed in any year in which there is taxable income. The return is due on or before the fifteenth day of the third month after the end of the taxable year. A timely filing of Form 7004, Application For Automatic Extensions of Time to File Corporation Income Tax Return, will result in an automatic six-month extension of time to file Form 1120-POL.
- Q. What items would be reported and subject to tax on the 1120-POL?
- A. Only taxable income is reported on Form 1120-POL. Taxable income is the excess of the organization's gross income (excluding exempt function income) over the deductions that are directly connected with the production of that income (excluding exempt function income). This would include income such as interest, dividends, rents, royalties and capital gains. Exempt function income consists of money or property received by the political organization for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any federal, state or local public office or office in a political organization, whether or not such efforts are successful. Exempt function income includes contributions, membership fees, proceeds from a political fundraising or entertainment event, and proceeds from the sale of political campaign material. However, income earned on exempt function income, such as interest and dividends from interim investments, is subject to tax. A political organization is allowed a \$100 deduction in calculating its taxable income (but not for newsletter funds).
- Q. What accounting records are required for political funds?
- A. Detailed substantiating records should be kept by the political candidate or other custodian to enable the candidate to account accurately for the receipt and disbursement of political funds and to identify the exempt function activity for which each expenditure is made. Otherwise, receipts may be taxed on the candidate's individual return and campaign expenses would be nondeductible. Also, if political funds are commingled with personal funds of the political candidate so as to render tracing or identification impractical, the political funds will be presumed to have been diverted to personal use at the time so commingled.

Q. Are there any other forms that state candidates are required to file with the Internal Revenue Service?

A. Under current law, there are mandatory filing requirements for many political organizations that have tax exempt status under Section 527 of the Internal Revenue Service Code.

“The new provisions eliminate the need for many political organizations to file certain federal reports and returns. We hope this will provide greater clarity for 527 organizations,” said Steven T. Miller, Director of IRS’s Exempt Organizations Division.

Current law:

- Exempts state and local candidate and party committees from filing Form 8871 and Form 990 (or 990-EZ);
- Exempts qualified state and local political organizations (QSLPOs) from filing Form 8872;
- Exempts political committees filing with the FEC from filing Form 990 (or 990-EZ);
- Exempts political organizations that are a caucus or association of state or local officials from filing Form 990 (or 990-EZ);
- Requires additional information on Form 8871 and Form 8872;
- Requires the filing of an amended Form 8871 after material changes to maintain tax-exempt status;
- Increases reporting thresholds for certain Form 990 filers;
- Eliminates the requirement to file Form 1120-POL except where an organization has taxable income after taking the \$100 specific deduction (returning to pre-July 2000 requirements);
- Reinstates the pre-July 2000 confidentiality requirement for any Form 1120-POL filed after November 2, 2002; and
- Changes the electronic form requirements by
 - Requiring the Form 8871 be filed electronically (as opposed to both in writing and electronically); and
 - Requiring that any Form 8872 due after June 30, 2003, be filed electronically if the filing organization has or expects to have contributions or expenditures of more than \$50,000 during the calendar year.

A more complete description of filing requirements for political organizations can be found in Fact Sheet 02-13. For more information, visit the IRS Web site at www.irs.gov/polorgs or call the IRS Tax Exempt Customer Account Service toll free number at 1-877-829-5500. Assistance is available 7:00 a.m. to 5:30 p.m. CST, Monday through Friday.

- Q. What is the tax rule regarding presumption against unrestricted gifts?
- A. The Internal Revenue Service will presume, in the absence of evidence to the contrary, that contributions to a political candidate are political funds which are not intended for the unrestricted personal use of such recipient. If, in fact, the funds were intended for the unrestricted personal use of the political candidate, he or she must be able to substantiate this claim.

NEWSLETTER FUND

Q. What is a qualified newsletter fund?

A. A qualified newsletter fund is a fund established and maintained by an individual to prepare and circulate his/her newsletter. This fund can be set up by the holder of any federal, state or local elective public office. Candidates for any such office can also establish a newsletter fund, as can individuals who have been elected to public office but have not yet started their term in office (as defined in section 527(g)(3)). After an individual has left office, the newsletter fund provision is not available unless he/she again becomes a candidate.

Q. How is a newsletter fund accounted for?

A. A newsletter fund is treated as an exempt political organization. The assets in the fund must be maintained in separate accounts and used to prepare and circulate the newsletter. Cost of preparing the newsletter includes the cost of secretarial services and the cost of printing, addressing and mailing the newsletter.

Q. Is a newsletter fund subject to tax?

A. A newsletter fund is subject to tax similar to a political organization as discussed in answers to previous questions except that it is not allowed the \$100 deduction granted other political organizations.

Q. What about unexpended balances of a newsletter fund?

A. The unexpended balances of a newsletter fund may be contributed to or for the use of another newsletter fund, transferred to the general fund of the U.S. Treasury or of any state or local government, or transferred to or for the use of an exempt public charity, without being considered as having been diverted for the individual's personal use. However, transfer of unexpended assets to a political organization which is not a newsletter fund will be considered as being diverted for the individual's personal use and deemed as taxable income.

WISCONSIN INCOME TAX RETURNS

- Q. Are all of the business related expenses discussed above deductible on my state income tax return?
- A. No. Except for certain modifications, Wisconsin taxable income is equal to federal *adjusted* gross income (before itemized deductions); therefore, unreimbursed employee business expenses and reimbursed expenses incurred pursuant to a non-accountable plan do not reduce Wisconsin taxable income..
- Q. Are there any other adjustments to income or deductions which are only a consideration on the Wisconsin income tax return?
- A. Yes. The allowance that you elect to receive for food and lodging while you are in Madison on legislative business is exempt from Wisconsin taxation if you do not claim a deduction for travel expenses away from home on legislative days per Wisconsin Statute 71.05(1)(b). In many cases, a Wisconsin legislator who resides more than 50 miles from the Capitol building may discover that the amount claimed for travel expenses based on the federal per diem rate exceeds the allowance he/she received from Wisconsin. For these individuals, the statutory exemption noted above is not helpful. However, for each legislator whose statutory allowance exceeds the allowable travel expenses attributable to such reimbursement, the statutory exemption is useful. In this event, the legislator should list the difference between the statutory allowance and the allowable travel expenses as a subtraction from federal adjusted gross income on Line 11 of Wisconsin's Form 1. We recommend you consult with your Certified Public Accountant or other tax advisor regarding this issue.

Employee Business Expenses

▶ See separate instructions.

▶ Attach to Form 1040 or Form 1040NR.

Your name	Occupation in which you incurred expenses	Social security number
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Part I Employee Business Expenses and Reimbursements

Step 1 Enter Your Expenses	Column A Other Than Meals and Entertainment	Column B Meals and Entertainment
1 Vehicle expense from line 22c or line 29. (Rural mail carriers: See instructions.)		
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment		
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment.		
5 Meals and entertainment expenses (see instructions)		
6 Total expenses. In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5		

Note: If you were not reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.

Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

7 Enter reimbursements received from your employer that were not reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions)		
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Step 3 Figure Expenses To Deduct on Schedule A (Form 1040 or Form 1040NR)

8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040, line 7 (or on Form 1040NR, line 8) Note: If both columns of line 8 are zero, you cannot deduct employee business expenses. Stop here and attach Form 2106 to your return.		
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)		
10 Add the amounts on line 9 of both columns and enter the total here. Also, enter the total on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 9). (Reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities: See the instructions for special rules on where to enter the total.) ▶		

Part II Vehicle Expenses

Section A—General Information (You must complete this section if you are claiming vehicle expenses.)

		(a) Vehicle 1	(b) Vehicle 2
11	Enter the date the vehicle was placed in service	/ /	/ /
12	Total miles the vehicle was driven during 2008	miles	miles
13	Business miles included on line 12	miles	miles
14	Percent of business use. Divide line 13 by line 12	%	%
15	Average daily roundtrip commuting distance	miles	miles
16	Commuting miles included on line 12	miles	miles
17	Other miles. Add lines 13 and 16 and subtract the total from line 12.	miles	miles
18	Was your vehicle available for personal use during off-duty hours?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
19	Do you (or your spouse) have another vehicle available for personal use?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
20	Do you have evidence to support your deduction?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
21	If "Yes," is the evidence written?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Section B—Standard Mileage Rate (See the instructions for Part II to find out whether to complete this section or Section C.)

22a	Multiply business miles driven before July 1, 2008, by 50.5¢ (.505)		
22b	Multiply business miles driven after June 30, 2008, by 58.5¢ (.585)		
22c	Add lines 22a and 22b. Enter the result here and on line 1		

Section C—Actual Expenses

		(a) Vehicle 1	(b) Vehicle 2
23	Gasoline, oil, repairs, vehicle insurance, etc.		
24a	Vehicle rentals		
24b	b Inclusion amount (see instructions)		
24c	c Subtract line 24b from line 24a		
25	Value of employer-provided vehicle (applies only if 100% of annual lease value was included on Form W-2—see instructions)		
26	Add lines 23, 24c, and 25		
27	Multiply line 26 by the percentage on line 14		
28	Depreciation (see instructions)		
29	Add lines 27 and 28. Enter total here and on line 1.		

Section D—Depreciation of Vehicles (Use this section only if you owned the vehicle and are completing Section C for the vehicle.)

		(a) Vehicle 1	(b) Vehicle 2
30	Enter cost or other basis (see instructions)		
31	Enter section 179 deduction and special allowance (see instructions)		
32	Multiply line 30 by line 14 (see instructions if you claimed the section 179 deduction or special allowance)		
33	Enter depreciation method and percentage (see instructions)		
34	Multiply line 32 by the percentage on line 33 (see instructions)		
35	Add lines 31 and 34		
36	Enter the applicable limit explained in the line 36 instructions		
37	Multiply line 36 by the percentage on line 14		
38	Enter the smaller of line 35 or line 37. If you skipped lines 36 and 37, enter the amount from line 35. Also enter this amount on line 28 above		



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 50½ cents a mile (58½ cents a 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.

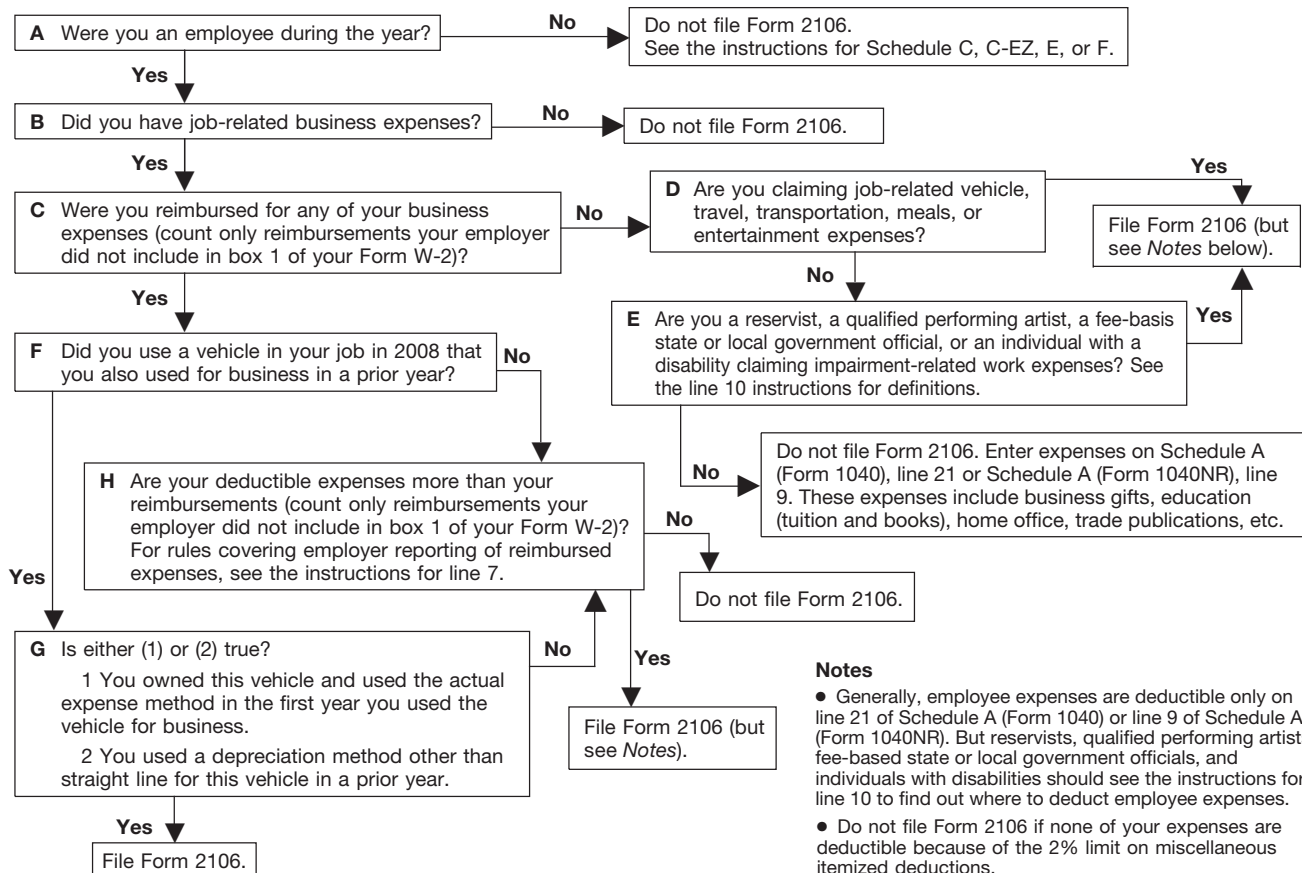
An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

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



Notes

- Generally, employee expenses are deductible only on line 21 of Schedule A (Form 1040) or line 9 of Schedule A (Form 1040NR). But reservists, 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.

Recordkeeping

You cannot deduct expenses for travel (including meals unless you used the standard meal allowance), entertainment, gifts, or use of a car or other listed property, unless you keep records to prove the time, place, business purpose, business relationship (for entertainment and gifts), and amounts of these expenses. Generally, you must also have receipts for all lodging expenses (regardless of the amount) and any other expense of \$75 or more.

Additional Information

For more details about employee business expenses, see:

- Pub. 463, Travel, Entertainment, Gift, and Car Expenses.
- Pub. 529, Miscellaneous Deductions.
- Pub. 587, Business Use of Your Home (Including Use by Daycare Providers).
- Pub. 946, How To Depreciate Property.

Specific Instructions

Part I—Employee Business Expenses and Reimbursements

Fill in all of Part I if you were reimbursed for employee business expenses. If you were not reimbursed for your expenses, complete steps 1 and 3 only.

Step 1—Enter Your Expenses

Line 1. If you were a rural mail carrier, you can treat the amount of qualified reimbursement you received as the amount of your allowable expense. Because the qualified reimbursement is treated as paid under an accountable plan, your employer should not include the amount of reimbursement in your income.

You were a rural mail carrier if you were an employee of the United States Postal Service (USPS) who performed services involving the collection and delivery of mail on a rural route.

Qualified reimbursements. These are the amounts paid by the USPS as an equipment maintenance allowance under a collective bargaining agreement between the USPS and the National Rural Letter Carriers' Association, but only if such amounts do not exceed the amount that would have been paid under the 1991 collective bargaining agreement

(adjusted for changes in the Consumer Price Index since 1991).

If you were a rural mail carrier and your vehicle expenses were:

- Less than or equal to your qualified reimbursements, do not file Form 2106 unless you have deductible expenses other than vehicle expenses. If you have deductible expenses other than vehicle expenses, skip line 1 and do not include any qualified reimbursements in column A on line 7.
- More than your qualified reimbursements, first complete Part II of Form 2106. Enter your total vehicle expenses from line 29 on line 1 and the amount of your qualified reimbursements in column A on line 7.



If you are a rural mail carrier and received a qualified reimbursement, you cannot use the standard mileage rate.

Line 2. The expenses of commuting to and from work are not deductible. See the line 15 instructions on page 4 for the definition of commuting.

Line 3. Enter lodging and transportation expenses connected with overnight travel away from your tax home (defined next). Do not include expenses for meals and entertainment. For more details, including limits, see Pub. 463.

Tax home. Generally, your tax home is your regular or 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 may be the place where you regularly live. If you do not have a regular or a main place of business or post of duty and there is no place where you regularly live, you are considered an itinerant (a transient) and your tax home is wherever you work. As an itinerant, you are never away from home and cannot claim a travel expense deduction. For more details on the definition of a tax home, see Pub. 463.

Generally, you cannot deduct any expenses for travel away from your tax home for any period of temporary employment of more than 1 year. However, this 1-year rule does not apply for a temporary period in which you were a federal employee certified by the Attorney General (or his or her designee) as traveling in temporary duty status for the U.S. government to investigate or prosecute a federal crime (or to provide support services for the investigation or prosecution of a federal crime).

Incidental expenses. The term "incidental expenses" means:

- Fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries;
- Transportation between places of lodging or business and places where meals are taken, if suitable meals can be obtained at the temporary duty site; and
- Mailing cost associated with filing travel vouchers and payment of employer-sponsored charge card billings.

Incidental expenses do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls.

You can use an optional method (instead of actual cost) for deducting incidental expenses only. The amount of the deduction is \$3 a day for incidental expenses paid or incurred for travel away from home in 2008. You can use this method only if you did not pay or incur any meal expenses. You cannot use this method on any day you use the standard meal allowance (defined in the instructions for line 5 on page 3).

Line 4. Enter other job-related expenses not listed on any other line of this form. Include expenses for business gifts, education (tuition, fees, and books), home office, trade publications, etc. For details, including limits, see Pub. 463 and Pub. 529.

If you are deducting home office expenses, see Pub. 587 for special instructions on how to report these expenses.

If you are deducting depreciation or claiming a section 179 deduction for a cellular telephone or other similar telecommunications equipment, a home computer, etc., see Form 4562, Depreciation and Amortization, to figure the depreciation and section 179 deduction to enter on Form 2106, line 4.

Do not include on line 4 any (a) educator expenses you deducted on Form 1040, line 23, or Form 1040NR, line 24, or (b) tuition and fees you deducted on Form 1040, line 34.

TIP *You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863, Education Credits, for details.*

Do not include expenses for meals and entertainment, taxes, or interest on line 4. Deductible taxes are entered on Schedule A (Form 1040), lines 5 through 9 (or Schedule A (Form 1040NR), lines 1 through 3). Employees cannot deduct car loan interest.

**Reimbursement Allocation
Worksheet**
(keep for your records)

Note. If line 4 is your only entry, do not complete Form 2106 unless you are claiming:

- Performing-arts-related business expenses as a qualified performing artist,
- Expenses for performing your job as a fee-basis state or local government official, or
- Impairment-related work expenses as an individual with a disability.

See the line 10 instructions that begin on this page for definitions. If you are not required to file Form 2106, enter your expenses directly on Schedule A (Form 1040), line 21 (or Schedule A (Form 1040NR), line 9).

Line 5. Enter your allowable meals and entertainment expense. Include meals while away from your tax home overnight and other business meals and entertainment.

Standard meal allowance. Instead of actual cost, you may be able to claim the standard meal allowance for your daily meals and incidental expenses (M&IE) while away from your tax home overnight. Under this method, instead of keeping records of your actual meal expenses, you deduct a specified amount, depending on where you travel. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the federal M&IE rate. For most small localities in the United States, the 2008 rate is \$39 a day. Most major cities and many other localities in the United States qualify for higher rates. You can find these rates on the Internet at www.gsa.gov. At the GSA home page click on "Per Diem Rates." At the Domestic Per Diem Rates page select "2008" for the rates in effect for the period January 1, 2008–September 30, 2008. Select "2009" for the period October 1, 2008–December 31, 2008. However, you can apply the rates in effect before October 1, 2008, for expenses of all travel within the United States for 2008 instead of the updated rates. For the period October 1, 2008–December 31, 2008, you must consistently use either the rates for the first 9 months of 2008 or the updated rates.

For locations outside the continental United States, the applicable rates are published each month. You can find these rates on the Internet at www.state.gov/travelandbusiness/.

See Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel and transportation workers.

Step 2—Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

Line 7. Enter reimbursements received from your employer (or third party) for expenses shown in Step 1 that were not reported to you in box 1 of your Form W-2. This includes reimbursements reported under code "L" in box 12 of Form W-2. Amounts reported under code "L" are reimbursements you received for business expenses that were not included as wages on Form W-2 because the expenses met specific IRS substantiation requirements.

Generally, when your employer pays for your expenses, the payments should not be included in box 1 of your Form W-2 if, within a reasonable period of time, you:

- Accounted to your employer for the expenses, and
- Were required to return, and did return, any payment not spent (or considered not spent) for business expenses.

If these payments were incorrectly included in box 1, ask your employer for a corrected Form W-2.

Accounting to your employer.

This 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 the travel for that day.
- 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. 463 for more details.

Allocating your reimbursement.

If your employer paid you a single amount that covers 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.

1. Enter the total amount of reimbursements your employer gave you that were not reported to you in box 1 of Form W-2	_____
2. Enter the total amount of your expenses for the periods covered by this reimbursement	_____
3. Enter the part of the amount on line 2 that was your total expense for meals and entertainment	_____
4. Divide line 3 by line 2. Enter the result as a decimal (rounded to three 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 the result here and in Column A, line 7	_____

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

Line 9. Generally, you can deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. However, if you were an employee subject to the DOT hours of service limits, that percentage is increased to 80% for business meals consumed during, or incident to, any period of duty for which those limits are in effect.

Employees subject to the DOT hours of service limits include certain air transportation employees, such as pilots, crew, dispatchers, mechanics, and control tower operators; interstate truck operators and interstate bus drivers; certain railroad employees, such as engineers, conductors, train crews, dispatchers, and control operations personnel; and certain merchant mariners.

Line 10. If you are one of the individuals discussed below, special rules apply to deducting your employee business expenses. Any part of the line 10 total that is not deducted according to the special rules should be entered on Schedule A (Form 1040), line 21 (or Schedule A (Form 1040NR), line 9).

Ministers. Before entering your total expenses on line 10, you must reduce them by the amount allocable to your tax-free allowance(s). See Pub. 517 for more information.

Armed Forces reservist (member of a reserve component). You are a member of a reserve component of the Armed Forces of the United States if you are in the Army, Navy, Marine Corps, Air Force, or Coast Guard Reserve; the Army National Guard of the United States; the Air National Guard of the United States; or the Reserve Corps of the Public Health Service.

If you qualify, include the part of the line 10 amount attributable to the expenses for travel more than 100 miles away from home in connection with your performance of services as a member of the reserves on Form 1040, line 24, and attach Form 2106 to your return. These reserve-related travel expenses are deductible whether or not you itemize deductions. See Pub. 463 for additional details on how to report these expenses.

Fee-basis state or local government official. You are a qualifying fee-basis official if you are employed by a state or political subdivision of a state and are compensated, in whole or in part, on a fee basis.

If you qualify, include the part of the line 10 amount attributable to the expenses you incurred for services performed in that job in the total on Form 1040, line 24, and attach Form 2106 to your return. These employee business expenses are deductible whether or not you itemize deductions.

Qualified performing artist. You are a qualified performing artist if you:

1. Performed services in the performing arts as an employee for at least two employers during the tax year,
2. Received from at least two of those employers wages of \$200 or more per employer,
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.

In addition, if you are married, you must file a joint return unless you lived apart from your spouse for all of 2008. If you file a joint return, you must figure requirements (1), (2), and (3) separately for both you and your spouse. However, requirement (4) applies to the combined adjusted gross income of both you and your spouse.

If you meet all the requirements, include the part of the line 10 amount attributable to performing-arts-related expenses in the total on Form 1040, line 24 (or Form 1040NR, line 34), and attach Form 2106 to your return. Your performing-arts-related business

expenses are deductible whether or not you itemize deductions.

Disabled employee with impairment-related work 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. 463 for more details.

If you qualify, enter the part of the line 10 amount attributable to impairment-related work expenses on Schedule A (Form 1040), line 28 (or Schedule A (Form 1040NR), line 16). These expenses are not subject to the 2% limit that applies to most other employee business expenses.

Part II—Vehicle Expenses

There are two methods for computing vehicle expenses—the standard mileage rate and the actual expense method. You can use the standard mileage rate for 2008 only if:

- You owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

If you have the option of using either the standard mileage rate or actual expense method, you should figure your expenses both ways to find the method most beneficial to you. But when completing Form 2106, fill in only the sections that apply to the method you choose.

If you were a rural mail carrier and received an equipment maintenance allowance, see the line 1 instructions on page 2.

For more information on the standard mileage rate and actual expenses, see Pub. 463.

Section A—General Information

If you used two vehicles for business during the year, use a separate column in Sections A, C, and D for each vehicle. If you used more than two vehicles, complete and attach a second Form 2106, page 2.

Line 11. 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 12. Enter the total number of miles you drove each vehicle during 2008.

Change from personal to business use. If you converted your vehicle during the year from personal to business use (or vice versa) and you do not have mileage records for the time before the change to business use, enter the total number of miles driven after the change to business use.

Line 13. Do not include commuting miles on this line; commuting miles are not considered business miles. See the line 15 instructions below for the definition of commuting.

Line 14. Divide line 13 by line 12 to figure your business use percentage.

Change from personal to business use. If you entered on line 12 the total number of miles driven after the change to business use, multiply the percentage you figured by the number of months you drove the vehicle for business and divide the result by 12.

Line 15. Enter your average daily round trip commuting distance. If you went to more than one work location, figure the average.

Commuting. Generally, commuting is travel between your home and a work location. However, travel that meets any of the following conditions is not commuting.

- You have at least one regular work location away from your home and the travel is to a temporary work location in the same trade or business, regardless of the distance. Generally, a temporary work location is one where your employment is expected to last 1 year or less. See Pub. 463 for more details.
- The travel is to a temporary work location outside the metropolitan area where you live and normally work.
- Your home is your principal place of business under section 280A(c)(1)(A) (for purposes of deducting expenses for business use of your home) and the travel is to another work location in the same trade or business, regardless of whether that location is regular or temporary and regardless of distance.

Line 16. If you do not know the total actual miles you used your vehicle for commuting during the year, figure the amount to enter on line 16 by multiplying the number of days during the year that you used each vehicle for commuting by the average daily round trip commuting distance in miles. However, if you converted your vehicle during the year from personal to

business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business.

Section B—Standard Mileage Rate

You may be able to use the standard mileage rate instead of actual expenses to figure the deductible costs of operating a passenger vehicle, including a van, sport utility vehicle (SUV), pickup, or panel truck.

If you want to use the standard mileage rate for a vehicle you own, you must do so in the first year you place your vehicle in service. In later years, you can deduct actual expenses instead, but you must use straight line depreciation.

If you lease your vehicle, you can use the standard mileage rate, but only if you use the rate for the entire lease period (except for the period, if any, before January 1, 1998).

If you use more than two vehicles, complete and attach a second Form 2106, page 2, providing the information requested in lines 11 through 22c. Be sure to include the amount from line 22c of both pages in the total on Form 2106, line 1.

You can also deduct state and local personal property taxes. Enter these taxes on Schedule A (Form 1040), line 7. (Personal property taxes are not deductible on Form 1040NR.)

If you are claiming the standard mileage rate for mileage driven in more than one business activity, you must figure the deduction for each business on a separate form or schedule (for example, Form 2106 or Schedule C, C-EZ, E, or F).

Section C—Actual Expenses

Line 23. Enter your total annual expenses for gasoline, oil, repairs, insurance, tires, license plates, and similar items. Do not include state and local personal property taxes or interest expense you paid. Deduct state and local personal property taxes on Schedule A (Form 1040), line 7. Employees cannot deduct car loan interest.

Line 24a. If during 2008 you rented or leased instead of using your own vehicle, enter the cost of renting. Also, include on this line any temporary rentals, such as when your car was being repaired, except for amounts included on line 3.

Line 24b. If you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction for vehicle lease payments by an amount called the inclusion amount. You may have an inclusion amount for a passenger automobile if:

Passenger Automobile (Except Trucks and Vans)

The lease term began in:	And the vehicle's fair market value on the first day of the lease exceeded:
2008	\$18,500
2007	15,500
2005 or 2006	15,200
2004	17,500
2003	18,000
1999 through 2002	15,500
1997 or 1998	15,800

If the lease term began before 1997, see Pub. 463 to find out if you have an inclusion amount.

You may have an inclusion amount for a truck or van if:

Trucks and Vans

The lease term began in:	And the vehicle's fair market value on the first day of the lease exceeded:
2008	\$19,000
2007	16,400
2005 or 2006	16,700
2004	18,000
2003	18,500

See Pub. 463 to figure the inclusion amount.

Line 25. If during 2008 your employer provided a vehicle for your business use and included 100% of its annual lease value in box 1 of your Form W-2, enter this amount on line 25. If less than 100% of the annual lease value was included in box 1 of your Form W-2, skip line 25.

Line 28. If you completed Section D, enter the amount from line 38. If you used Form 4562 to figure your depreciation deduction, enter the total of the following amounts.

- Depreciation allocable to your vehicle(s) (from Form 4562, line 28).
- Any section 179 deduction allocable to your vehicle(s) (from Form 4562, line 29).

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 can elect to claim a special depreciation allowance or to expense, under section 179, part of the cost of your vehicle in the year of purchase. For details, see Pub. 463.

Vehicle trade-in. If you traded one vehicle (the "old vehicle") in on another vehicle (the "new vehicle") in 2008, there are two ways you can treat the transaction.

1. You can elect to treat the transaction as a tax-free disposition of the old vehicle and the purchase of the new vehicle. If you make this election, you treat the old vehicle as disposed of at the time of the trade-in. The depreciable basis of the new vehicle 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 paid for the new vehicle. You then figure your depreciation deduction for the new vehicle beginning with the date you placed it in service. You make this election by completing Form 2106, Part II, Section D.

2. If you do not make the election described in (1), you must figure depreciation separately for the remaining basis of the old vehicle and for any additional amount you paid for the new vehicle. You must apply two depreciation limits. The limit that applies to the remaining basis of the old vehicle generally is the amount that would have been allowed had you not traded in the old vehicle. The limit that applies to the additional amount you paid for the new vehicle generally is the limit that applies for the tax year it was placed in service, reduced by the depreciation allowance for the remaining basis of the old vehicle. You must use Form 4562 to compute your depreciation deduction. You cannot use Form 2106, Part II, Section D.

If you elect to use the method described in (1), you must do so on a timely filed tax return (including extensions). Otherwise, you must use the method described in (2).

Line 30. Enter the vehicle's actual cost or other basis. Do not reduce your basis by any prior year's depreciation. However, you must reduce your basis by any deductible casualty loss, deduction for clean-fuel vehicle, gas guzzler tax, alternative motor vehicle credit, or qualified electric vehicle credit you claimed. Increase your basis by any sales tax paid (unless you deducted sales taxes in the year you purchased your vehicle) and any substantial improvements to your vehicle.

If you traded in your vehicle, your basis is the adjusted basis of the old vehicle (reduced by depreciation figured as if 100% of the vehicle's use had been for business purposes) plus any additional amount you pay for the new vehicle. See Pub. 463 for more information.

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. Enter the amount of any section 179 deduction and special depreciation allowance claimed.



If you were affected by a federally declared disaster, special rules apply with regard to the section 179 deduction and the special depreciation allowance. For information, see:

- Pub. 4492-A, *Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes*;
- Pub. 4492-B, *Information for Affected Taxpayers in the Midwestern Disaster Areas*; and
- Pub. 946, *How to Depreciate Property, for other disasters*.

Section 179 deduction. If 2008 is the first year your vehicle was placed in service and the percentage on line 14 is more than 50%, you can 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 14. The total of your depreciation and section 179 deduction generally cannot be more than the percentage on line 14 multiplied by the applicable limit explained in the line 36 instructions (beginning on page 7). Your section 179 deduction for the year cannot be more than the income from your job and any other active trade or business on your Form 1040.



If you are claiming a section 179 deduction on other property, or you placed more than \$800,000 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	\$25,000
Adjusted basis of trade-in	<u>– 3,000</u>
Section 179 basis	\$22,000
Limit on depreciation and section 179 deduction	\$10,960*

Smaller of:

Section 179 basis, or limit on depreciation	\$10,960
Percentage on line 14	<u>× .75</u>
Section 179 deduction	\$ 8,220

*\$2,960 if electing out of special depreciation allowance or not qualified property.

Limit for sport utility and certain other vehicles.

For sport utility and certain other vehicles placed in service in 2008, the portion of vehicle's cost taken into account in figuring your section 179 deduction is limited to \$25,000. This rule applies to any 4-wheeled vehicle primarily designed or used to carry passengers over public streets, roads, or highways, that is not subject to any of the passenger automobile limits explained in the line 36 instructions, and is rated at no more than 14,000 pounds gross vehicle weight. However, the \$25,000 limit does not apply to any vehicle:

- Designed to have a seating capacity of more than nine persons behind the driver's seat, or
- Equipped with a cargo area of at least 6 feet in interior length that is an open area or is designed for use as an open area but is enclosed by a cap and is not readily accessible directly from the passenger compartment, or
- That has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

Special depreciation allowance.

You may be able to claim a special depreciation allowance for your new vehicle if:

- You purchased and placed it in service in 2008, and
- The percentage on line 14 is more than 50%.

The special allowance is an additional first year depreciation deduction of 50% of the depreciable basis of your vehicle. However, your total section 179 deduction, special depreciation allowance, and regular depreciation deduction cannot be more than \$10,960 for cars and \$11,160 for trucks and vans, multiplied by your business use percentage on line 14.

See the line 36 instruction for depreciation limits.

Election out. You can elect not to claim the special depreciation allowance for your vehicle. If you make this election, it applies to all property in the same class placed in service during the year.

To make the election, attach a statement to your timely filed return (including extensions) indicating that you are electing not to claim the special depreciation allowance and the class of property for which you are making the election.

Use the worksheet below to figure the amount of the special depreciation allowance.

Worksheet for the Special Depreciation Allowance
(keep for your records)

1. Enter the total amount from line 30 _____
2. Multiply line 1 by the percentage on Form 2106, line 14, and enter the result _____
3. Enter any section 179 deduction _____
4. Subtract line 3 from line 2 . . . _____
5. Multiply line 4 by 50% (.50) and enter the result _____
6. Multiply the applicable limit explained in the line 36 instructions by the percentage on Form 2106, line 14, and enter the result. If line 36 limits do not apply, skip lines 6 and 7, and enter the amount from line 5 on line 8 _____
7. Subtract line 3 from line 6 . . . _____
8. Enter the **smaller** of line 5 or line 7. Add the result to any section 179 deduction (line 3 above) and enter the total on Form 2106, line 31 _____

More information. See Pub. 463, chapter 4, for more information on the special depreciation allowance.

Line 32. To figure the basis for depreciation, multiply line 30 by the percentage on line 14. From that result, subtract the full amount of any section 179 deduction and special depreciation allowance.

Line 33. If you used the standard mileage rate in the first year the vehicle was placed in service and now elect to use the actual expense method, you must use the straight line method of depreciation for the vehicle's estimated useful life. Otherwise, use the Depreciation Method and Percentage Chart above to find the depreciation

Depreciation Method and Percentage Chart—Line 33

Date Placed in Service	(a)¹	(b)¹	(c)
Oct. 1 – Dec. 31, 2008	200 DB 5.0 %	150 DB 3.75%	SL 2.5%
Jan. 1 – Sept. 30, 2008	200 DB 20.0	150 DB 15.0	SL 10.0
Oct. 1 – Dec. 31, 2007	200 DB 38.0	150 DB 28.88	SL 20.0
Jan. 1 – Sept. 30, 2007	200 DB 32.0	150 DB 25.5	SL 20.0
Oct. 1 – Dec. 31, 2006	200 DB 22.8	150 DB 20.21	SL 20.0
Jan. 1 – Sept. 30, 2006	200 DB 19.2	150 DB 17.85	SL 20.0
Oct. 1 – Dec. 31, 2005	200 DB 13.68	150 DB 16.4	SL 20.0
Jan. 1 – Sept. 30, 2005	200 DB 11.52	150 DB 16.66	SL 20.0
Oct. 1 – Dec. 31, 2004	200 DB 10.94	150 DB 16.41	SL 20.0
Jan. 1 – Sept. 30, 2004	200 DB 11.52	150 DB 16.66	SL 20.0
Oct. 1 – Dec. 31, 2003	200 DB 9.58	150 DB 14.35	SL 17.5
Jan. 1 – Sept. 30, 2003	200 DB 5.76	150 DB 8.33	SL 10.0
Prior to 2003 ²			

¹You can use this column only if the business use of your car is more than 50%.

²If your car was subject to the maximum limits for depreciation and you have unrecovered basis in the car, you can continue to claim depreciation. See Pub. 463 for more information.

method and percentage to enter on line 33.

To use the chart, first find the date you placed the vehicle in service (line 11). Then, select the depreciation method and percentage from column (a), (b), or (c). For example, if you placed a car in service on July 1, 2008, and you use the method in column (a), enter “200 DB 20%” on line 33.

For vehicles placed in service before 2008, 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 2008, select the depreciation method and percentage after reading the explanation for each column.

Column (a)—200% declining balance method. You can use column (a) only if the business use percentage on line 14 is more than 50%. Of the three depreciation methods, the 200% declining balance method may give you the largest depreciation deduction for the first 3 years (after considering the depreciation limit for your vehicle). See the depreciation limit tables on page 8.

Column (b)—150% declining balance method. You can use column (b) only if the business use percentage on line 14 is more than 50%. The 150% declining balance method may 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 vehicle for the alternative minimum tax. This may

result in a smaller tax liability if you must file Form 6251, Alternative Minimum Tax—Individuals.

Column (c)—straight line method. You must use column (c) if the business use percentage on line 14 is 50% or less. The method for these vehicles is the straight line method over 5 years. The use of this column is optional for these vehicles if the business use percentage on line 14 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 in Part IV of Form 4797, Sales of Business Property.

More information. For more information on depreciating your vehicle, see Pub. 463.



If you placed other business property in service in the same year you placed your vehicle in service or you used your vehicle mainly within an Indian reservation, you may not be able to use the chart. See Pub. 946 to figure your depreciation.

Line 34. If you sold or exchanged your vehicle during the year, use the following instructions to figure the amount to enter on line 34.

If your vehicle was placed in service:

1. Before 2003, enter the result of multiplying line 32 by the percentage on line 33;

2. After 2002, from January 1 through September 30, enter the amount figured by multiplying the result in (1) by 50%; or

3. After 2002, from October 1 through December 31, enter the amount figured by multiplying the result in (1) 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 applicable chart for your type of vehicle, find the date you placed your vehicle in service. Then, enter on line 36 the corresponding amount from the “Limit” column. Before using the charts, please read the following definitions.

- A passenger automobile is a 4-wheeled vehicle manufactured primarily for use on public roads that is rated at 6,000 pounds unloaded gross vehicle weight or less. Certain vehicles, such as ambulances, hearses, and taxicabs, are not considered passenger automobiles and are not subject to the line 36 limits. See Pub. 463 for more details.
- A truck or van is a passenger automobile that is classified by the

manufacturer as a truck or van, and that is rated at 6,000 pounds gross vehicle weight or less.

If your vehicle is not subject to any of the line 36 limits, skip lines 36 and 37, and enter the amount from line 35 on line 38.

**Limits for Passenger Automobiles
(Except Trucks and Vans)**

Date Vehicle Was Placed in Service	Limit
Jan. 1 – Dec. 31, 2008	\$10,960*
Jan. 1 – Dec. 31, 2007	4,900
Jan. 1 – Dec. 31, 2006	2,850
Jan. 1, 2004 – Dec. 31, 2005	1,675
Jan. 1, 1995 – Dec. 31, 2003	1,775

* If you elect not to claim the special depreciation allowance for the vehicle or the vehicle is not qualified property, the limit is \$2,960.

Limits for Trucks and Vans

Date Vehicle Was Placed in Service	Limit
Jan. 1 – Dec. 31, 2008	\$11,160*
Jan. 1 – Dec. 31, 2007	5,200
Jan. 1 – Dec. 31, 2006	3,150
Jan. 1, 2004 – Dec. 31, 2005	1,875
Jan. 1 – Dec. 31, 2003	1,975
Jan. 1, 1995 – Dec. 31, 2002	1,775

* If you elect not to claim the special depreciation allowance for the vehicle or the vehicle is not qualified property, the limit is \$3,160.

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.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the

administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

For calendar year 2008 or other tax year beginning _____, 2008, and ending _____, 20
 Check the box if this is a section 501(c) organization

Check if: <input type="checkbox"/> Final return <input type="checkbox"/> Name change <input type="checkbox"/> Address change <input type="checkbox"/> Amended return	Name of organization	Employer identification number
	Number, street, and room or suite no. (If a P.O. box, see page 5 of instructions.)	Candidates for U.S. Congress Only If this is a principal campaign committee, and it is the ONLY political committee, check here. <input type="checkbox"/>
	City or town, state, and ZIP code	If this is a principal campaign committee, but is NOT the only political committee, check here and attach a copy of designation (See instructions on page 2). <input type="checkbox"/>

Income	1 Dividends (attach schedule)	1	
	2 Interest	2	
	3 Gross rents	3	
	4 Gross royalties	4	
	5 Capital gain net income (attach Schedule D (Form 1120))	5	
	6 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	
	7 Other income and nonexempt function expenditures (see instructions)	7	
	8 Total income. Add lines 1 through 7.	8	
Deductions	9 Salaries and wages	9	
	10 Repairs and maintenance	10	
	11 Rents	11	
	12 Taxes and licenses	12	
	13 Interest	13	
	14 Depreciation (attach Form 4562)	14	
	15 Other deductions (attach schedule)	15	
	16 Total deductions. Add lines 9 through 15	16	
	17 Taxable income before specific deduction of \$100 (see instructions). Section 501(c) organizations show:		
	a Amount of net investment income		
b Aggregate amount expended for an exempt function (attach schedule)			
18 Specific deduction of \$100 (not allowed for newsletter funds defined under section 527(g))	17c	18	
Tax	19 Taxable income. Subtract line 18 from line 17c. (If line 19 is zero or less, see the instructions.)	19	
	20 Income tax. (see instructions)	20	
	21 Tax credits. (Attach the applicable credit forms.) (see instructions)	21	
	22 Total tax. Subtract line 21 from line 20	22	
	23 Payments: a Tax deposited with Form 7004	23a	
	b Credit for tax paid on undistributed capital gains (attach Form 2439)	23b	
	c Credit for federal tax on fuels (attach Form 4136)	23c	
d Total payments. Add lines 23a through 23c	23d		
24 Tax due. Subtract line 23d from line 22. See instructions on page 4 for depository method of payment	24		
25 Overpayment. Subtract line 22 from line 23d	25		

Additional Information	1 At any time during the 2008 calendar year, did the organization have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the name of the foreign country ▶ _____
	2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the organization may have to file Form 3520 <input type="checkbox"/> Yes <input type="checkbox"/> No
	3 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____
	4 Date organization formed ▶ _____
	5a The books are in care of ▶ _____ b Enter name of candidate ▶ _____ c The books are located at ▶ _____ d Telephone No. ▶ _____

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer	Date	Title	May the IRS discuss this return with the preparer shown below (see page 3)? <input type="checkbox"/> Yes <input type="checkbox"/> No
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Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no. ()	

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

IRS E-Services Make Taxes Easier

Now more than ever before, certain political organizations can enjoy the benefits of meeting their federal tax filing and payment responsibilities electronically. Whether you rely on a tax professional or do it yourself, IRS offers you convenient programs to make it easier.

Spend less time and worry on taxes. Use *e-file* and Electronic Federal Tax Payment System (EFTPS) to your benefit:

- For *e-file*, visit www.irs.gov/efile for additional information.
- For EFTPS, visit www.eftps.gov or call EFTPS Customer Service at 1-800-555-4477.

Use the electronic options available from IRS and make filing and paying taxes easier.

How To Get Forms and Publications

Internet. You can access the IRS website 24 hours a day, 7 days a week at www.irs.gov to:

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax question online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.

DVD for tax products. Order Pub. 1796, IRS Tax Products DVD, and obtain:

- Current year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code - Title 26.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.

- Toll-free and email technical support.
- The DVD is released twice during the year.

- The first release will ship the beginning of January 2009.

- The final release will ship the beginning of March 2009.

Purchase the DVD from the National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee), or call 1-877-CDFORMS (1-877-233-6767) toll free to buy the DVD for \$30 (plus a \$6 handling fee).

By phone and in person. You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676). You can also get most forms and publications at your local IRS office.

General Instructions

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

Purpose of Form

Political organizations and certain exempt organizations file Form 1120-POL to report their political organization taxable income and income tax liability under section 527.

Phone Help

If you have questions and/or need help completing Form 1120-POL, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Who Must File

A political organization, whether or not it is tax-exempt, must file Form 1120-POL if it has any political organization taxable income.

An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

Political Organizations

A political organization is a party, committee, association, fund (including a separate segregated fund described in section 527(f)(3) set up by a section 501(c) organization), or other organization, organized and operated primarily for the purpose of accepting contributions or making expenditures, or both, to influence the selection, nomination, election, or appointment of any individual to any public office or office in a political organization, or the election of Presidential or Vice Presidential electors. Political organizations include a:

1. Principal campaign committee, if it is the political committee designated by a candidate for U.S. Congress as his or her

principal campaign committee for purposes of section 302(e) of the Federal Election Campaign Act of 1971 and section 527(h).

If a candidate for U.S. Congress elects to make a designation under section 527(h), he or she must designate the principal campaign committee by attaching a copy of the Statement of Candidacy to Form 1120-POL. This can be either the Federal Election Commission's Form 2 or an equivalent statement filed with the Federal Election Commission. The designation may also be made by attaching a signed statement with all of the following information.

- The candidate's name and address,
- The candidate's identifying number,
- The candidate's party affiliation and office sought,
- The district and state in which the office is sought, and
- The name and address of the principal campaign committee.

Note. If the candidate for U.S. Congress has a designation in effect from an earlier year, attach a copy of the earlier year's designation to this year's Form 1120-POL and check the appropriate box on the form. See Regulations section 1.527-9. If a candidate for U.S. Congress has only one political campaign committee, no designation is required. However, be sure to check the appropriate box on Form 1120-POL.

2. Newsletter fund, if it is a fund established and maintained by an individual who holds, has been elected to, or is a candidate (as defined in section 527(g)(3)) for nomination or election to any federal, state, or local elective public office. The fund must be maintained exclusively for the preparation and circulation of the individual's newsletter.

3. Separate segregated fund, if it is maintained by a section 501(c) organization (exempt from tax under section 501(a)). For more information, see section 527(f)(3) and Regulations section 1.527-6(f).

Taxable Income

Political organization taxable income (line 19) is the excess of **(a)** gross income for the tax year (excluding exempt function income (defined later)) over **(b)** deductions directly connected with the earning of gross income (excluding exempt function income). Taxable income is figured with the following adjustments.

1. A specific deduction of \$100 is allowed (but not for newsletter funds),
2. The net operating loss deduction is not allowed, and
3. The dividends-received deduction and other special deductions for corporations are not allowed. See section 527(c)(2)(C).

Effect of failure to file Form 8871.

Unless excepted (see *Other Reports and Returns That May Be Required*), **every political organization**, in order to be considered a tax-exempt organization, must file Form 8871, Political Organization Notice of Section 527 Status. An organization that is required to file Form 8871, but fails to file it when due, must include in taxable income for the period before Form 8871 is filed, its exempt function income (including contributions received, membership dues, and political fundraising receipts), minus any deductions directly connected with the production of that income. The organization may not deduct its exempt function expenditures because section 162(e) denies a deduction for political campaign expenditures.

Exempt Function and Exempt Function Income

The exempt function of a political organization includes all activities that are related to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any federal, state, or local public office, or office of a political organization, or the election of Presidential or Vice Presidential electors, whether or not the individuals or electors are selected, nominated, elected, or appointed. The term "exempt function" also means the making of expenditures relating to the individual's office, once selected, nominated, elected, or appointed, but only if the expenditures would be deductible by an individual under section 162(a).

Exempt function income is the total of all amounts received from the following sources (to the extent that they are separately segregated only for use for an exempt function):

- Contributions of money and property;
- Membership dues, fees, or assessments paid by a member of a political party;
- Proceeds from a political fundraising or entertainment event, or from the sale of political campaign materials, if those amounts are not received in the active conduct of a trade or business; and
- Proceeds from the conduct of a bingo game, as described in section 513(f)(2).

Specified Taxable Income

Newsletter fund. Taxable income of a newsletter fund is figured in the same manner as taxable income of a political organization except that the specific deduction of \$100 is not allowed.

Exempt organization that is not a political organization. Taxable income for an exempt organization described in section 501(c) that is not a political organization is the smaller of:

1. The net investment income of the organization for the tax year, or

2. The amount spent for an exempt function during the tax year either directly or indirectly through another organization.

Net investment income, for this purpose, is the excess of:

1. The gross amount of interest, dividends, rents, and royalties, plus the excess, if any, of gains from the sale or exchange of assets, over the losses from the sale or exchange of assets, over
2. The deductions directly connected with the production of this income.

Taxable income is figured with the adjustments shown in 1, 2, and 3 under *Taxable Income* on page 2.

Who Must Sign

The return must be signed and dated by:

- The president, vice president, treasurer, assistant treasurer, chief accounting officer, or
- Any other officer (such as tax officer) authorized to sign.

Receivers, trustees, and assignees must also sign and date any return filed on behalf of an organization.

If an employee of the organization completes Form 1120-POL, the paid preparer's space should remain blank. In addition, anyone who prepares Form 1120-POL but does not charge the organization should not complete that section. Generally, anyone who is paid to prepare the return must sign it and fill in the *Paid Preparer's Use Only* area.

The paid preparer must complete the required preparer information and:

- Sign the return in the space provided for the preparer's signature.
- Give a copy of the return to the taxpayer.

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization

If the organization wants to allow the IRS to discuss its 2008 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer's Use Only* section of the return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the organization is authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of its return. The organization is also authorizing the paid preparer to:

- Give the IRS any information that is missing from its return,
- Call the IRS for information about the processing of its return or the status of any refund or payment(s), and
- Respond to certain IRS notices that the organization may have shared with the

preparer about math errors, offsets, and return preparation. The notices will not be sent to the preparer.

The organization is not authorizing the paid preparer to receive any refund check, bind the organization to anything (including any additional tax liability), or otherwise represent it before the IRS. If the organization wants to expand the paid preparer's authorization, see Pub. 947, *Practice Before the IRS and Power of Attorney*.

However, the authorization will automatically end no later than the due date (excluding extensions) for filing the 2009 tax return. If you want to revoke the authorization before it ends, see Pub. 947.

When and Where To File

In general, an organization must file Form 1120-POL by the 15th day of the 3rd month after the end of the tax year.

If the due date falls on a Saturday, Sunday, or legal holiday, the organization may file on the next business day.

File Form 1120-POL with the Department of the Treasury, Internal Revenue Service Center, Ogden, UT 84201.

If the organization's principal business, office or agency is located in a foreign country or a U.S. possession, the address for mailing their return should be: Internal Revenue Service Center, P.O. Box 409101, Ogden, UT 84409.

Private delivery services. In addition to the United States mail, the organization can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/payment" rule for tax returns and payments. These private delivery services include only the following.

- DHL Express (DHL): DHL Same Day Service, DHL Next Day 10:30 am, DHL Next Day 12:00 pm, DHL Next Day 3:00 pm, and DHL 2nd Day Service;
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First; and
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Extension. File Form 7004, Application for Automatic Extension of Time To File Corporation Income Tax Return, to request a 6-month extension of time to file.

Other Reports and Returns That May Be Required

An organization that files Form 1120-POL may also be required to file the following forms.

1. Form 8871, Political Organization Notice of Section 527 Status.

Generally, in order to be tax-exempt, a political organization must file this form within 24 hours of the date it is established and within 30 days of any material change in the organization. However, do not file this form if the organization is:

- An organization that reasonably expects its annual gross receipts to always be less than \$25,000,
- A political committee required to report under the Federal Election Campaign Act of 1971 (2 U.S.C. 431 et seq.),
- A political committee of a state or local candidate,
- A state or local committee of a political party, or
- A tax-exempt organization described in section 501(c) that is treated as having political organization taxable income under section 527(f)(1).

2. Form 8872, Political Organization Report of Contributions and Expenditures (periodic reports are required during the calendar year).

Generally, a political organization that files Form 8871 and accepts a contribution or makes an expenditure for an exempt function during the calendar year must file this form. However, this form is not required to be filed by an organization excepted from filing Form 8871 (see above), or a qualified state or local political organization (QSLPO) (see the Instructions for Form 8871 and Rev. Rul. 2003-49, 2003-20 I.R.B. 903, for the definition of a QSLPO).

3. Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt From Income Tax.

An exempt political organization must also file one of these forms if its annual gross receipts are \$25,000 or more (\$100,000 or more for a QSLPO).

The following political organizations are not required to file Form 990.

- Any political organization excepted from the requirement to file Form 8871, and
- Any caucus or association of state or local officials.

See the instructions for Form 990 or Form 990-EZ.

Accounting Methods

Figure taxable income using the method of accounting regularly used in keeping the organization's books and records. Generally, permissible methods include:

- Cash,
- Accrual, or
- Any other method authorized by the Internal Revenue Code.

In all cases, the method used must clearly show taxable income.

Change in accounting method.

Generally, the organization may only change the method of accounting used to report taxable income (for income as a whole or for any material item) by getting consent on Form 3115, Application for Change in Accounting Method. For more information, get Pub. 538, Accounting Periods and Methods.

Accounting Period

The organization must figure its taxable income on the basis of a tax year. The tax year is the annual accounting period the organization uses to keep its records and report its income and expenses if that period is a calendar year or a fiscal year. However, an organization that does not keep books or does not have an annual accounting period must use the calendar year as its tax year. A new organization must adopt its tax year by the due date (not including extensions) of its first income tax return.

Change of tax year. After the organization has adopted a tax year, it must get the consent of the IRS to change its tax year by filing Form 1128, Application To Adopt, Change, or Retain a Tax Year. See Regulations section 1.442-1 and Pub. 538.

Rounding Off to Whole Dollars

The organization may round off cents to whole dollars on the return and accompanying schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Depository Method of Tax Payment

The organization must pay the tax due in full no later than the 15th day of the 3rd month after the end of the tax year. The two methods of depositing organization income taxes are discussed below.

Electronic Deposit Requirement

The organization must make electronic deposits of all depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2009 if:

- The total deposits of such taxes in 2007 were more than \$200,000, or
- The organization was required to use EFTPS in 2008.

If the organization is required to use EFTPS and fails to do so, it may be subject to a 10% penalty. If the organization is not required to use EFTPS, it may participate voluntarily. To enroll in or get more information about EFTPS, call 1-800-555-4477.

Depositing on time. For deposits made by EFTPS to be on time, the organization must initiate the transaction at least 1 business day before the date the deposit is due.

Deposits With Form 8109

If the organization does not use EFTPS, deposit organization income tax payments with Form 8109, Federal Tax Deposit Coupon. If you do not have a preprinted Form 8109, use Form 8109-B to make deposits. You can get this form only by calling 1-800-829-4933. Be sure to have your employer identification number (EIN) ready when you call.

Do not send deposits directly to an IRS office; otherwise, the organization may have to pay a penalty. Mail or deliver the completed Form 8109 with the payment to an authorized depository, that is, a commercial bank or other financial institution authorized to accept federal tax deposits.

Make checks or money orders payable to the depository. To help ensure proper crediting, write the organization's EIN, the tax period to which the deposit applies, and "Form 1120-POL" on the check or money order. Be sure to darken the "1120" box on the coupon. Records of these deposits will be sent to the IRS.

For more information on deposits, see the instructions in the coupon booklet (Form 8109) and Pub. 583, Starting a Business and Keeping Records.

Caution. If the organization owes tax when it files Form 1120-POL, do not include the payment with the tax return. Instead, mail or deliver the payment with Form 8109 to an authorized depository or use EFTPS, if applicable.

Interest and Penalties

Interest

Interest is charged on taxes paid late even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, gross valuation overstatements, and substantial understatement of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Penalties

Penalties may be imposed if the organization is required to file Form 1120-POL and it fails to file the form by the due date. The following penalties may apply if the organization does not file its tax return by the due date, including extensions.

Late filing of return. The organization may be charged a penalty of 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is more than 60 days late is the smaller of the tax due or \$135. The penalty will not be imposed if the organization can show that the failure to file on time was due to reasonable cause. Organizations that file late must attach a statement explaining the reasonable cause.

Late payment of tax. An organization that does not pay the tax when due generally may have to pay a penalty of ½ of 1% of the unpaid tax for each month or part of a month the tax is not paid, up to a maximum of 25% of the unpaid tax. The penalty will not be imposed if the organization can show that the failure to pay on time was due to reasonable cause.

Other penalties. Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. See sections 6662 and 6663.

Assembling the Return

Attach Form 4136, Credit for Federal Tax Paid on Fuels, after page 1 of Form 1120-POL. Attach schedules in alphabetical order and other forms in numerical order after Form 4136.

Complete every applicable entry space on Form 1120-POL. Do not write "See attached" instead of completing the entry spaces. If you need more space on the forms or schedules, attach separate sheets using the same size and format as on the printed forms. Show the totals on the printed forms. Attach these separate sheets after all the schedules and forms. Be sure to put the organization's name and EIN on each sheet.

Specific Instructions

Period covered. File the 2008 return for calendar year 2008 and fiscal years that begin in 2008 and end in 2009. For a fiscal year, fill in the tax year space at the top of the form.

Note. The 2008 Form 1120-POL may also be used if:

- The organization has a tax year of less than 12 months that begins and ends in 2009, and
- The 2009 Form 1120-POL is not available at the time the organization is required to file its return. The organization must show its 2009 tax year on the 2008 Form 1120-POL and take into account any tax law changes that are effective for tax years beginning after December 31, 2008.

Address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and

the organization has a P.O. box, show the box number instead of the street address.

Final return, name change, address change, amended return. If the organization ceases to exist, check the "Final return" box.

If the organization has changed its name since it last filed a return, check the "Name change" box.

If the organization has changed its address since it last filed a return, check the "Address change" box.

Note. If a change in address occurs after the return is filed, the organization should use Form 8822, Change of Address, to notify the IRS of the new address.

Amended return. If you are filing an amended Form 1120-POL:

- Check the "Amended return" box,
- Complete the entire return,
- Correct the appropriate lines with the new information, and
- Refigure the tax liability.

Attach a sheet that explains the reason for the amendments and identifies the lines and amounts being changed on the amended return. Generally, the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever is later.

Employer identification number (EIN). Enter the nine-digit EIN assigned to the organization. If the organization does not have an EIN, it must apply for one. An EIN can be applied for:

- Online by clicking the *Employer ID Numbers (EINs)* link at www.irs.gov/businesses/small. The EIN is issued immediately once the application information is validated.
- By telephone at 1-800-829-4933.

The online application process is not yet available for organizations with addresses in foreign countries.

If the organization has not received its EIN by the time the return is due, write "Applied for" in the space provided for the EIN. See Pub. 583 for details.

Income and deductions. Campaign contributions and other exempt function income are generally not includible in income; likewise, campaign expenditures and other exempt function expenditures are not deductible. To be deductible in computing political organization taxable income, expenses must be directly connected with the production of political organization taxable income. In those cases where expenses are attributable to the production of both exempt function income and political organization taxable income, the

expenses should be allocated on a reasonable and consistent basis. Only the portion allocable to the production of political organization taxable income may be deducted. No deduction is allowed for general administrative or indirect expenses.

Line 7. Other income and nonexempt function expenditures. Enter the income from other sources, such as:

- Exempt function income that was not properly segregated for exempt functions.
- Income received in the ordinary course of a trade or business.
- Ordinary income from the trade or business activities of a partnership (from Schedule K-1 (Form 1065), box 1).
- Exempt function income (minus any deductions directly connected with the production of that income) taxable under section 527(i)(4) for failure to timely file Form 8871. Include amounts whether or not segregated for use for an exempt function.

Also include on this line:

- Expenditures that were made from exempt function income that were not for an exempt function and resulted in direct or indirect financial benefit to the political organization (see Regulations section 1.527-5 for examples) and
- Illegal expenditures.

Attach a schedule listing all income and expenditures included on line 7.

Line 17. Taxable income before specific deduction of \$100. Political organizations, newsletter funds, and separate segregated funds: Subtract line 16 from line 8 and enter the result on line 17(c).

Exempt organizations (section 501(c)) that are not political organizations. Complete lines 17a and 17b if the organization made exempt function expenditures that were not from a separate segregated fund. Enter on line 17c the smaller of line 17a or 17b. See *Exempt organization that is not a political organization* on page 3 for an explanation of the amounts to enter on these lines.

Line 19. Taxable income. If the taxable income on line 19 is zero or less, the Form 1120-POL is not required to be filed, but it may be filed to start the statute of limitations period.

Line 20. Income tax. The rate of tax imposed depends on whether the political organization is a principal campaign committee as defined in section 527(h). The tax rate is lower for a principal campaign committee.

Political organization not a principal campaign committee. An organization that is not a principal campaign committee computes its tax as follows: Multiply line 19 by 35% and enter the result on line 20.

Principal campaign committee (section 527(h)). A political organization that is a principal campaign committee of a candidate for U.S. Congress computes its tax in the same manner as provided in section 11(b) for corporations. Compute the tax as follows:

1. Enter taxable income (line 19, Form 1120-POL) _____
2. Enter line 1 or \$50,000, whichever is less _____
3. Subtract line 2 from line 1 _____
4. Enter line 3 or \$25,000, whichever is less _____
5. Subtract line 4 from line 3 _____
6. Enter line 5 or \$9,925,000, whichever is less _____
7. Subtract line 6 from line 5 _____
8. Multiply line 2 by 15% _____
9. Multiply line 4 by 25% _____
10. Multiply line 6 by 34% _____
11. Multiply line 7 by 35% _____
12. If line 1 is greater than \$100,000, enter the smaller of: 5% of taxable income in excess of \$100,000, or \$11,750 _____
13. If line 1 is greater than \$15 million, enter the smaller of: 3% of taxable income in excess of \$15 million or \$100,000 _____
14. Add lines 8 through 13. Enter here and on line 20, Form 1120-POL _____

Note. Estimated tax and alternative minimum tax do not apply to political organizations.

Line 21. Tax credits. The organization may qualify for the following credits:

- **Foreign tax credit.** See Form 1118, Foreign Tax Credit—Corporations.
- **Qualified electric vehicle credit.** See Form 8834, Qualified Electric Vehicle Credit, and section 30.
- **General business credit** (excluding the Indian employment credit, the work opportunity credit, the welfare-to-work credit, the empowerment zone and renewal community employment credit, the differential wage payment, and the employee retention credit). See Form 3800, General Business Credit.

Enter the total amount of qualified credits on line 21 and attach the applicable credit forms.

Line 22. Total tax. If the political organization must recapture any of the qualified electric vehicle credit, include the amount of the recapture in the total for line 22. On the dotted line next to the entry space, write “QEV recapture” and the amount. See Regulations section 1.30-1 for details on how to figure the recapture.

Additional Information

Question 1

Foreign financial accounts. Check the “Yes” box if either 1 or 2 below applies to the organization. Otherwise, check the “No” box.

1. At any time during the 2008 calendar year the organization had an interest in or signature or other authority over a bank, securities, or other financial account in a foreign country; and
 - The combined value of the accounts was more than \$10,000 at any time during the calendar year; and
 - The account was not with a U.S. military banking facility operated by a U.S. financial institution.
2. The organization owns more than 50% of the stock in any corporation that would answer “Yes” to item 1 above.

See Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to find out if the organization is considered to have an interest in or signature or other authority over a financial account in a foreign country.

If “Yes” is checked for this question, file Form TD F 90-22.1 by June 30, 2009, with the Department of the Treasury at the address shown on the form. Do not attach it to Form 1120-POL.

You can get Form TD F 90-22.1 by calling 1-800-TAX-FORM (1-800-829-3676) or you can download it from the IRS website at www.irs.gov.

Also, if “Yes” is checked for this question, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Question 2

If you checked “Yes,” to Question 2, the organization may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. For details, see Form 3520.

Note. An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner. For details, see the instructions for Form 3520-A.

Question 3

In the space provided, show any tax-exempt interest income received or accrued. Include any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Privacy Act and 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. Section 6109 requires return preparers to provide their identifying numbers on the return.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

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

- Recordkeeping** 17 hr., 13 min.
- Learning about the law or the form** 5 hr., 15 min.
- Preparing the form** 12 hr., 17 min.
- Copying, assembling, and sending the form to the IRS** 1 hr., 52 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see *When and Where To File* on page 3.

EXHIBIT C

**RECORDKEEPING REQUIREMENT FOR TRAVEL,
ENTERTAINMENT AND GIFTS**

FACTORS TO BE PROVED IN SUBSTANTIATING ELEMENTS IN COLUMN 1

Elements To Be Substantiated (1)	For Expenditures For Travel Away From Home (2)	For Expenditures For Entertainment (3)	For Expenditures For Gifts (4)
Amount	Amount of each separate expenditure for transportation, lodging and meals. Permissible to total incidental expenses in reasonable categories, such as gasoline and oil, taxis, daily meals for traveler etc.	Amount of each separate expenditure. Incidental items such as taxi, telephone, etc. may be totaled on a daily basis.	Cost of Gift.
Time	Dates of departure and return for each trip, and number of days attributable to business activities.	Date of entertainment or use of a facility for entertainment. (Duration of business discussion.)	Date of Gift.
Place	Destination by name of city or other appropriate designation.	Name and address or similar designation or place of use of a facility in connection with entertainment.	Not applicable.
Description	Not applicable.	Type of entertainment if not otherwise apparent.	Description of Gift.
Business Purpose	Business reason for travel or nature of business benefit derived or expected to be derived.	Business reason or nature of business benefit derived or expected to be derived. Nature of business discussion or activity if entertainment is other than "business meals".	Business reason for making the gift or nature of business benefit derived or expected to be derived.
Business	Not applicable.	Occupations or such other information – such as names or other designations – about persons entertained which established their business relationship to taxpayer (identification of persons entertained who participated in business discussion.	Occupation or other information – such as name or other designation – about recipient which establishes business relationship to taxpayer.

Exhibit D

MODEL FORM FOR MAKING ELECTION TO USE INTERNAL REVENUE CODE SECTION 162(h) FOR FEDERAL AND WISCONSIN INCOME TAX PURPOSES

Name _____

Address (residence within Legislative District)

Social Security Number _____

For the tax year 2008, I have elected my district home as my tax home, and I am now applying section 162(h) of the Internal Revenue Code, which allows a per diem expense for living expenses attributable to my work as a state legislator for every legislative day.

The number of miles between my residence within my legislative district and the capitol building is _____.

The number of my legislative days for tax year 2008 includes:

_____ Session days (including weekend recesses, etc.)

_____ Committee meeting days

_____ Total legislative days

The per diem rate I am using is \$143 for the period January 1, 2008 through September 30, 2008, and \$144 for the period October 1, 2008 through December 31, 2008. This is the federal employee per diem rate which was in effect for Madison for 2008.

My per diem expense is computed as follows:

_____ Legislative days at \$143 per day = _____

_____ Legislative days at \$144 per day = _____

_____ Total per diem expense _____

Portion of per diem expense allocated to meals:

(Total per diem expense x .3776)

_____ (Fill in here and include on line 5 of Federal Form 2106.)

Portion allocated to other living expenses:

(Total per diem expense minus portion allocated to meals)

_____ (Fill in here and include on line 3 of Federal Form 2106.)

The total per diem reimbursement which I received from the State of Wisconsin for 2008 is

Portion of per diem reimbursement allocated to meals

(Total per diem reimbursement x .3750)

_____ (To line 7, Column B of Federal Form 2106.)

Portion of per diem reimbursement allocated to other living expenses

(Total per diem reimbursement minus portion allocated to meals)

_____ (To line 7, Column A of Federal Form 2106.)

Credit is given to Mr. Thomas Reid of the Wisconsin Department of Revenue for the use of this form.

Exhibit E – Part 1

**ANNUAL SUMMARY
BUSINESS TRAVEL LOG**

Month	Beginning Odometer Reading	Ending Odometer Reading	Elapsed Mileage	Less Business Mileage	Equals Personal Mileage
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Totals					

Name: _____ Year: _____

EMPLOYEE INSTRUCTIONS

- Each Day For each business trip, record date, destination/business purpose, beginning odometer reading, and ending odometer reading on the “Monthly Business Travel Log.”
- Each Month-End Calculate business mileage and add up totals for the month on the “Monthly Business Travel Log.”
- Each Year-End Total all columns above which have double underlines at bottom.

Exhibit F

Calendar Year 2008
Income Inclusion Amounts for Passenger Autos (not Trucks, Vans, or Electric Autos)
With a Lease Term Beginning in Calendar Year 2008

Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th +Later
\$18,500	\$19,000	20	42	62	73	84
19,000	19,500	22	47	71	83	94
19,500	20,000	25	53	78	93	106
20,000	20,500	27	58	87	102	117
20,500	21,000	30	63	95	112	128
21,000	21,500	32	69	103	122	139
21,500	22,000	34	75	111	131	151
22,000	23,000	38	83	123	146	167
23,000	24,000	43	94	139	165	190
24,000	25,000	48	105	155	185	212
25,000	26,000	53	115	172	204	235
26,000	27,000	58	126	188	223	257
27,000	28,000	63	137	204	243	279
28,000	29,000	68	148	220	262	302
29,000	30,000	73	159	236	282	324
30,000	31,000	78	170	252	301	347
31,000	32,000	83	181	268	321	368
32,000	33,000	88	192	284	340	391
33,000	34,000	93	202	301	359	414
34,000	35,000	98	213	317	379	436
35,000	36,000	103	224	333	398	459
36,000	37,000	108	235	349	418	481
37,000	38,000	113	246	365	437	503
38,000	39,000	118	257	381	457	525
39,000	40,000	123	268	397	476	548
40,000	41,000	128	279	413	495	571
41,000	42,000	133	289	430	515	593
42,000	43,000	137	301	446	534	615
43,000	44,000	142	312	462	553	638
44,000	45,000	147	323	478	573	659
45,000	46,000	152	333	495	592	682
46,000	47,000	157	344	511	611	705
47,000	48,000	162	355	527	631	727
48,000	49,000	167	366	543	650	750
49,000	50,000	172	377	559	670	772
50,000	51,000	177	388	575	689	794
51,000	52,000	182	399	591	709	816
52,000	53,000	187	410	607	728	839
53,000	54,000	192	420	624	747	862
54,000	55,000	197	431	640	767	884
55,000	56,000	202	442	657	785	906
56,000	57,000	207	453	673	805	928
57,000	58,000	212	464	689	824	951
58,000	59,000	217	475	705	844	973
59,000	60,000	222	486	721	863	996
60,000	62,000	229	502	746	892	1,029
62,000	64,000	239	524	778	931	1,074
64,000	66,000	249	546	810	970	1,118
66,000	68,000	259	567	843	1,008	1,164
68,000	70,000	269	589	875	1,047	1,209
70,000	72,000	279	611	907	1,086	1,253
72,000	74,000	289	633	939	1,125	1,298
74,000	76,000	299	654	972	1,164	1,342
76,000	78,000	309	676	1,004	1,203	1,387
78,000	80,000	319	698	1,036	1,242	1,432
80,000	85,000	336	736	1,093	1,309	1,511
85,000	90,000	361	791	1,173	1,406	1,623
90,000	95,000	386	845	1,255	1,503	1,734
95,000	100,000	410	900	1,335	1,600	1,846
100,000	110,000	448	981	1,457	1,745	2,014
110,000	120,000	497	1,090	1,619	1,939	2,238
120,000	130,000	547	1,199	1,780	2,133	2,462
130,000	140,000	597	1,308	1,942	2,327	2,685
140,000	150,000	646	1,417	2,103	2,521	2,910
150,000	160,000	696	1,526	2,265	2,715	3,133
160,000	170,000	745	1,635	2,427	2,908	3,357
170,000	180,000	795	1,744	2,588	3,103	3,581
180,000	190,000	845	1,853	2,750	3,296	3,805
190,000	200,000	894	1,962	2,912	3,490	4,028
200,000	210,000	944	2,071	3,073	3,684	4,252
210,000	220,000	994	2,179	3,235	3,878	4,476
220,000	230,000	1,043	2,289	3,396	4,072	4,700
230,000	240,000	1,093	2,397	3,559	4,265	4,924
240,000	and up	1,142	2,507	3,720	4,459	5,148

Notes:

1. Does not apply to leases of less than 30 days.
2. If leased for less than 365 days, multiply the table amounts by the number of days divided by 365.
3. The table amounts assume 100% business use. The applicable amount should be multiplied by the business use percentage to determine the non-deductible portion.

Example:

Car with a fair market value of \$30,500.
 Lease begins March 1, 2008. 80% business use.

Applicable amount: \$78
 Portion of year used: $\frac{*306}{365}$
 65
 Business use: * 80%
 Add back amount: \$ 52

4. Income inclusion amounts for business autos leased before 2008 are shown in prior year tax guides.