

The Pennsylvania Department of Revenue routinely conducts systemic reviews of PA Schedule UE expenses and deductions. Only unreimbursed expenses are allowable and the expenses must be actual, reasonable, necessary, ordinary, and directly related to the employee's job. The department may contact taxpayers to request an explanation or supporting information for any amount reported on the PA-40, Schedule UE. The department makes requests for additional information with the expectation that the taxpayer can substantiate the information that they previously provided on their return.

**Reminder:** PA does not follow IRS rules for per-diem expenses. If a taxpayer receives a reimbursement for any expenses where the reimbursement is based upon a per-diem rate or fixed dollar amount, the expense is not allowable and should not be included on PA Schedule UE. However, if the employer did include reimbursements for the employee's expenses in PA taxable compensation on the W-2, the employee may complete the PA-40 Schedule UE to deduct their reimbursement allowance as an allowable PA business expense.

**Important:** *If the documentation being requested is voluminous the taxpayer can submit a detailed summary. The department will review the summary and request specific items if further information is needed. Examples of proper documentation, supporting specific line items, can be found at [www.revenue.pa.gov](http://www.revenue.pa.gov).*

### General Tips

- **Include detailed documentation or a summary page for each line item at the time the return is filed.**

To prevent delays in processing a tax return, documentation must be submitted as a .pdf attachment when the return is electronically filed. If unable to attach the documentation, it may be sent to:

Fax: **717-772-4193**

Email: **[ra-bitpitelfcorfaxes@pa.gov](mailto:ra-bitpitelfcorfaxes@pa.gov)**

*Email attachments must be in a PDF format and cannot exceed 15MB*

Mail: PA Department of Revenue  
Electronic Filing Section  
P.O. BOX 280507  
Harrisburg, PA 17128-0507

- **Documentation should clarify unreimbursed expense responsibilities.**

Letters from employers should identify:

- Whether or not an employee is required to incur the expenses to perform the duties of the position;
- If there is any reimbursement of the expenses; and
- The method by which the reimbursement is determined.

In lieu of a letter from the employer, the department will accept a copy of the employer's employee expenses reimbursement policy or a signed affidavit. Templates for the employer letter and the affidavit will be available, during filing season, at [www.revenue.pa.gov](http://www.revenue.pa.gov).

- **If mileage is reimbursed by an employer, even at a rate less than the federal rate, it should not be claimed as UE.**

The amount of the expense determined at the federal rate less the amount reimbursed is not a deductible expense. The expense should not be reported on a taxpayer's PA Schedule UE.

- **Commuting expenses are not deductible in PA.** Commuting expenses, including mileage to and from work and parking expenses, are not allowable. For tradesmen, commuting expenses includes the mileage expense to and from any job site not more than 35 miles from the closer of the union hall or the taxpayer's home to the jobsite. Travel to a second job is considered commuting.

- **Cell phones may be claimed, but, only for business purposes.**

These expenses claimed should be limited to calls made for business purposes when required by an employer. The employee should maintain the type of cell phone coverage that is reasonably related to the needs of the employer's business, and the unreimbursed expense amount claimed must be reasonably calculated so as to not exceed expenses the employee actually incurred in maintaining the cell phone. Monthly phone bills may be requested. Costs for family plans, bundles, or for additional lines are not reimbursable.

- **Review REV-637 for a listing of common unallowable expenses.**

There is an extensive list of unallowable business expenses detailed in REV-637, the department's brochure on UE expenses. The most common errors include:

- Claiming dues and subscriptions for professional organizations or magazines; and
  - Cable or internet costs (Unless there are separate cable or internet bills for a home office).
  - **Include breakdowns of all miscellaneous expenses.**
- Many software vendor programs are not supplying a breakdown of the miscellaneous expenses if there are more than two items of expense. If software supports pdf attachments, please include the breakdown via that method. If software doesn't support pdf attachments, fax the information to the department using the DEX-93, Bureau of Individual Taxes Fax Cover Sheet.
- **A separate PA Schedule UE is necessary for each taxpayer.**

The taxpayer and spouse cannot file and report their expenses on a single PA Schedule UE. Taxpayers working for multiple employers and not working out of a union hall, the only exception to this rule, must also provide separate schedules to report expenses. Excess expenses for one employer are not deductible against the income received from a second employer.

## Submitting Documentation

When submitting the documentation being requested it is important to remember that organizing it in a logical format will help to speed up processing.

- Grouping documentation for a particular line item will help the department review the information quickly.
- Circling the exact line item claimed as a business expense on a document will help avoid additional questions.
- Use page separators to differentiate between the expenses for each line item. If submitting a large file electronically send each line in a separate transmission. *Email attachments cannot exceed 15MB.*
- Include detailed breakdowns of your calculation when prorating or amortizing expenses.

When the department requests documentation, please send the information by:

Fax: **717-783-5823**

Email: [ra-bitpitholdcorfaxe@pa.gov](mailto:ra-bitpitholdcorfaxe@pa.gov)

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Bureau of Individual Taxes  
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