

Flight Crew Expense Report and Per Diem Information

As with all our forms, you may submit this information electronically using our secure online submit forms. Using this PDF as a work paper and submitting the information electronically is a convenient way of sending your information. Most of our PDFs are fillable, with some exceptions like the 2017 Tax Questionnaire (sorry).

All online submit forms are converted to a text file and saved in your client portal for historical purposes. You can access our online submit forms and **submit this worksheet electronically** here-

www.watsoncpagroup.com/FCER

There are two types of deductions for pilots and flight attendants. First is out of pocket expenses such as uniforms, cell phone, union dues, etc. The second is the per diem allowance and deduction. We need both to prepare your tax returns.

Please use this form to detail your flight attendant and pilot tax deductions. There are rules, of course, and you should familiarize yourself with them if you are not sure. However, the expenses listed below are generally allowed for mot crewmembers. For example, we won't ask you about shoes or nylons- these expenses are NOT deductible per a recent Tax Court case. You read it here-

www.watsoncpagroup.com/CALFA

To learn more about expenses and per diem, please read our KnowledgeBase articles here-

www.watsoncpagroup.com/kb/16

Per Diem Deduction, Flight Schedule

The government allows a deduction for each day that you are away from base. The IRS states that you can either itemize each layover city or you may take a standard rate per day (must pick one method for the year). It is to your advantage to **provide your 2017 flight schedules** so your per diem allowance can be calculated based on your specific flying. We will use the method that maximizes your deduction.

We also understand that obtaining and sending your schedule can be challenging. Therefore we have created an Overnights Worksheet so you can summarize your schedule. Please download it at-

www.watsoncpagroup.com/Overnights.pdf

Don't forget about our free online per diem calculator on our website!

www.watsoncpagroup.com/PDC

Flight Crew Expenses Worksheet

**If you are married to another crewmember, please complete a form for each individual.*

Name: _____

Date _____

Uniform Purchases

The Tax Court has repeatedly stated that any required clothing item that is either protective in nature such as a flight suit or steel-toed boots, OR cannot be converted to everyday use may be deducted as a job-related expense. Shoes, nylons, ties, belts, hair product, etc. can be converted to everyday use and therefore **cannot** be deducted. It's not our rules! Read the Tax Court ruling on a Continental Flight Attendant for yourself-

www.watsoncpagroup.com/CALFA

| | | | |
|---------------------|-------|----------------------|-------|
| Shirts, Blouses | _____ | Company Coat, Jacket | _____ |
| Sweater, Turtleneck | _____ | Epaulets, Wings | _____ |
| Pants | _____ | Shipping | _____ |
| Skirt, Dress, Apron | _____ | Other | _____ |

Uniform Accessories, Repairs

When a uniform is required to be worn, maintenance to that uniform is a deductible expense. Home laundering is a small expense related to laundry related to laundry soap, water and electricity. We usually suggest a flat rate of \$50 per year- if you launder our uniform at home, please enter your expenses up to \$50.

| | | | |
|-----------------------|-------|-----------------|-------|
| Lanyard, Badge Holder | _____ | Dry Cleaning | _____ |
| Shoe Shine, Repair | _____ | Home Laundering | _____ |
| Alterations | _____ | Other | _____ |

Flight Deck, Cabin Expenses

As more airlines move towards electronic flight bags either through proprietary equipment or through iPads, these expenses become deductible beyond the portion reimbursed by the company. Every airline is handling this differently. Some are providing the equipment while others are providing a stipend. Please detail the out of pocket expense plus any company reimbursements below.

| | | | |
|----------------------|-------|---------------------------|-------|
| Batteries | _____ | Headsets, Earpiece | _____ |
| Jepp Binders, Charts | _____ | Laptop, iPad, Tablet, EFB | _____ |
| SOP, GOM, IOM | _____ | Company Reimbursement | _____ |
| Logbooks, Software | _____ | Other | _____ |
| Flashlights | _____ | | |

Cell Phone, Internet

Mixed use items such as a cell phone that are used both personally and for your job are deductible to the extent of business or job use. For an expense to be deductible, it must be both ordinary as an accepted expense within your industry and necessary for you to perform your job. Cell phones and internet connections are continuously used in the airline industry to check schedules, contact dispatch or maintenance, complete require training events, check weather and NOTAMS, etc.

The Watson CPA Group uses a duty day percentage based on your flight schedule to determine the job use portion of these expenses. Therefore, please enter the **annual** amounts for Service Charges and Internet Connection. We also discount it a bit for multiple phones, but give you the bulk of the expense based on the cost of just a single phone (our internal limits are \$1,800 for service charges and \$600 for internet plans).

| | | | |
|--------------------|-------|--------------------------|-------|
| Accessories | _____ | Number of Phones on Plan | _____ |
| Equipment Purchase | _____ | Internet, Data Plan | _____ |
| Service Charges | _____ | Other | _____ |

Supplies, Home Expenses

| | | | |
|----------------------------|-------|---------------------------|-------|
| Bid Software (i.e., FLICA) | _____ | Office, Computer Supplies | _____ |
| Fax, Printer, Supplies | _____ | Other | _____ |

Overnight, Travel Expense

| | | | |
|----------------------------|-------|--------------------|-------|
| Flight Bags, Lunch Coolers | _____ | Currency Exchange | _____ |
| Luggage Purchase, Repair | _____ | Uniform Laundering | _____ |
| Luggage Tags, Accessories | _____ | Other | _____ |
| Clothes Iron, Starch | _____ | | |

Non-Commuting Expenses (TDY)

Parking fees, tolls and crashpad expenses **cannot be deducted** in connection with commuting. For example, if you drive to TVC pay a parking fee, commute to ORD and pay for a hotel for your early trip, these expenses are not deductible since there are considering commuting (your domicile becomes your tax home, and travel expenses to and from your tax home are not deductible). This is unfortunate- we get it. Again, not our rules! Read a Tax Court case to see how the IRS and the Tax Court view commuting expenses (spoiler alert- they were denied)-

www.watsoncpagroup.com/UAL

Having said that, if you are temporarily assigned to a domicile (less than one year) and / or you pick up out-of-domicile trips, these expenses are deductible. Only list those expenses that qualify using this information.

| | | | |
|----------------------|-------|-------------------|-------|
| Airport Parking Fees | _____ | Lodging, Crashpad | _____ |
| Tolls | _____ | Other | _____ |

Employment Credentials

| | | | |
|------------------------------|-------|----------------|-------|
| Business Cards | _____ | ID Replacement | _____ |
| FAA Medical, Flight Physical | _____ | Other | _____ |
| Passport, Foreign Visa | _____ | | |

Several airlines are reimbursing pilots for FAA medical examinations. However, some of the reimbursements do not cover all the expenses associated with the exam (such as an EKG or other additional labwork, procedures, etc.). As such, please list your net out of pocket after any reimbursements.

Education, Currency Expenses

The expenses listed below are used to improve your current work skills, and are therefore deductible. For example, B737 type ratings- if you mention that a particular airline in Texas requires a B737 type rating for an interview, your deduction will be denied. If you state that you earned a B737 type rating to help yourself be more marketable, you will also lose the argument and subsequent deduction. Additional training as a part of a job search is not deductible.

A B737 type rating, or any rating, or any related education such as a foreign language, must be a part of your ongoing improvement or maintenance of your current crewmember skills. Nothing more.

| | | | |
|-------------------|-------|------------------|-------|
| Aircraft Rentals | _____ | Foreign Language | _____ |
| CFI Renewals | _____ | Type Rating | _____ |
| Publications | _____ | Other Rating | _____ |
| Seminars, Classes | _____ | Other | _____ |

Federal Flight Deck Officer

| | | | |
|--------------------|-------|----------------|-------|
| Ammunition, Target | _____ | Lodging | _____ |
| Equipment | _____ | Transportation | _____ |
| Permit, Range Fees | _____ | Other | _____ |

If we run into (Alternative Minimum Tax) AMT problems with your overall flight crew expenses, we can always consider your FFDO activities and expenses to be charitable donations since you are technically associated with Homeland Security, a government entity.

Job Hunting

The IRS allows you to deduct expenses related to job hunting in your current profession or occupation. So, pilot to pilot. Flight attendant to flight attendant. And, remember, anything that can be converted to everyday use is not a deductible expense, such as an interview suit. While you probably looked dashing, good looks aren't a tax deduction. Sorry.

| | | | |
|--------------------------|-------|---------------------------|-------|
| Application Fees | _____ | Simulator, Interview Prep | _____ |
| Mailing, Copying | _____ | Lodging | _____ |
| Telephone, Fax Expenses | _____ | Transportation | _____ |
| Publications, Job Forums | _____ | Other | _____ |
| Resume Service | _____ | | |

Professional Expenses

Non-rev dues are those monies paid to other airlines for your ability to travel as a non-revenue passenger. These expenses might be considered commuting expense and therefore non-deductible. However, your ability to travel to other domiciles for trips and to travel directly from your residence to training facilities might rely on your ability to travel as a non-revenue passenger. Therefore, we consider these expenses ordinary and necessary for you to perform your job. Please only list the cost for you, **and not** all your eligible pass riders.

| | | | |
|----------------------|-------|----------------------------|-------|
| Union Dues | _____ | Loss of License Insurance* | _____ |
| Union Initiation Fee | _____ | Non-Rev Dues | _____ |
| Drug Testing | _____ | Other | _____ |
| Organizational Dues | _____ | | |

Be careful! Loss of License insurance and similar insurance policies will provide tax-free benefits since you are paying the premiums with after-tax dollars. However, if you deduct these premiums then your benefits might be taxable. Check with your insurance provider or union to ensure you are not changing the color of money accidentally.

Other Flight Crew Expenses

Are there any other expenses associated with your flight crew position that you did not detail above? If so, please describe below:

Per Diem Reimbursements

There are two types of per diem reimbursements- taxable and non-taxable. Taxable per diem reimbursements are paid by airlines for day-trips, turns, or locals depending on your geographical vernacular, and are TAXED as income. The other per diem reimbursement is not taxable since it truly is a reimbursement.

Your non-taxable per diem is usually reported on your W-2 in Box 12 Code L. SkyWest Airlines reports this as Box 14, labeled NTPERDIEM. Frontier Airlines puts the non-taxable per diem on the paystub ONLY. Please review your W2 and/or paystub to find your non-taxable per diem. We need this reported to us.

What was the NON-TAX per diem paid by your employer last year? _____

The rule is simple- any time away from your tax home (domicile) that requires SUBSTANTIAL rest is allowed for a non-taxable per diem reimbursement and subsequent tax deduction. If you cannot get enough, read the famous Bissonnett Tax Court case involving a ship Captain who did local trips, but was able to deduct per diem expenses-

www.watsoncpagroup.com/boat

Other Company Reimbursements

Did your employer reimburse for any uniform expenses? If so, how much? _____

Did your employer provide a non-taxable moving incentive? If so, how much? _____

Domicile

To properly calculate your per diem allowance and subsequent deduction, we need to know your domicile throughout the year including transfers and TDY assignments.

Domicile Jan 1 _____

Domicile Dec 31 _____

Did you transfer domiciles, accept TDY assignments or get displaced during 2017? If so, please describe below by telling us the dates and locations for each transfer or TDY-

Domicile transfers might incur moving expenses even if they are voluntary. As long as your move (domicile transfer) is work-related, those expenses are deductible. Please report those expenses including mileage on our Moving Expenses online submit form-

www.watsoncpagroup.com/moving-expenses

Disclosure

I(We) verify that the information provided in this **Flight Crew Expense Report** is accurate and complete. I(We) understand it is my(our) responsibility to include any and all information concerning income, deductions and other information necessary for the preparation of my (our) personal income tax return.

Taxpayer Signature _____ Date _____

Printed Name _____

Spouse Signature _____ Date _____

Printed Name _____

Please call or email us anytime with your questions and concerns. Thank you in advance, and we look forward to working with you!

The Watson CPA Group