

August 2016 Issue 37

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Deducting Your Moving Expenses

Moving Season

Spring and summer are often the most popular seasons to take possession of a new house and for some to sell their current residences to others who are doing the same. Also in the coming months, thousands of students across Canada will move to new cities to begin their post-secondary education. If you are planning to move or recently moved for employment purposes, your expenses may be tax-deductible. If you are moving to attend post-secondary school and expect to receive taxable scholarships and bursaries, your moving expenses may also be tax deductible.

Who May Deduct Moving Expenses?

If you move to a new location, you might be eligible to deduct your moving expenses from income earned at the new location. The general rule is that you may deduct moving expenses from your income if all of the following conditions are met:

1. you move in order to earn employment or self-employment income in a new location in Canada (even if you will be working for the same employer);
2. you ordinarily resided at your old residence prior to the move and ordinarily reside in your new residence following the move;

3. your move results in your new residence being at least 40 kilometres closer than your former residence to your new place of work or business; and
4. both your new and old residences are in Canada.

A connection must exist between your move and carrying on a business or being employed at a new location in Canada. As you would expect, no connection exists where you move only for personal reasons.

With respect to the 40 kilometre requirement, this should be measured via the shortest normal route open to the travelling public—not as the crow flies.

Moving expense deductions may also be claimed by individuals who were unemployed immediately before moving to a new employment or business for relocations within Canada.

What Expenses are Deductible?

Moving expenses are limited to reasonable amounts paid for moving yourself, members of your household, and your household effects from your old to your new residence. The most common deductible moving expenses include:

- travelling costs with respect to moving you and your family to your new residence, including reasonable amounts spent on meals, lodging, and transportation;

- costs of packing, hauling, in-transit storage, and insuring your personal items;
- costs of meals and temporary lodging incurred near your former or new residence (subject to a 15-day limit);
- costs you incurred for cancelling an unexpired lease on your former residence;
- costs of selling your former residence, including advertising, notarial or legal fees, real estate commissions, and a mortgage penalty incurred because the mortgage was paid off before maturity;
- the cost of revising legal documents to reflect your new address, of replacing driver's licences and non-commercial vehicle permits (but no deduction is allowed for vehicle insurance costs), and of connecting or disconnecting utilities; and
- GST/HST paid with respect to costs that are deductible as moving expenses.

If you and your family moved out of your old residence, the residence was not rented out, and you are making reasonable efforts to sell it, you (and your spouse or common-law partner) may deduct expenses incurred on the old residence for the period for which those conditions are met for interest, property taxes, insurance premiums, and heating and utilities to a maximum of \$5,000 for you and \$5,000 for your spouse or common-law partner.

Expenses that are ineligible for the moving expense deduction include:

- expenses incurred to make your old residence more saleable;
- travel expenses for house-hunting or job-hunting prior to the move;
- mail-forwarding costs;
- cost of moving a mobile home; and
- costs incurred in the sale of your old residence where you delayed the sale for investment purposes or in anticipation of an increase in the residence's market value.

How Much Can You Deduct?

First, you cannot deduct any amount of moving expenses which were paid for by your employer, or of which you were reimbursed or given an allowance. Second, you may not deduct expenses that were deducted in a prior year, or were deducted as a different type of expense.

Your moving expense deduction may not exceed the total amount included in your income for the year from employment or self-employment in your new work location. If your moving expenses exceed this income amount, this excess can be carried forward and deducted from your similar income in the following year.

You must complete and attach CRA Form T1-M to your tax return to deduct moving expenses in the taxation year. It is also crucial that you keep records of the expenses in case the CRA asks for them later.

Moving Expenses for Students

If you have been in full-time attendance at a university or other post-secondary educational institution in Canada, and you move within Canada to begin a job (including summer employment) or to start a business, you may claim a moving expense deduction under the same general rules described above. In other words, the moving expenses can be deducted against such employment or business income.

However, if you move to attend a full-time program at a university or other post-secondary educational institution in Canada and not to work or carry on business, you may deduct moving expenses only against scholarships, fellowships, research grants, and similar awards that are included in your income.

Students leaving Canada to study full-time at a post-secondary educational institution abroad are also entitled to deduct moving expenses from scholarships, fellowships, research grants, and similar awards, but only to the extent that these amounts are included in income. Similar rules apply to foreign students coming into Canada to study at a post-secondary educational institution.

In all cases, moving expenses of a student may only be deducted if the move results in the student residing at least 40 kilometres closer to the educational institution.