Veterans Benefits Administration
Department of Veterans Affairs
Washington, D.C. 20420

Circular 26-19-09
March 15, 2019

Handling Unreimbursed Business Expenses and Commission Income

1. Purpose. The purpose of this Circular is to revise the Department of Veterans Affairs (VA) underwriting guidelines [VA Lenders Handbook, Chapter 4, Topic 2 i – "Income from Commissions"] to remove the requirements for Internal Revenue Service (IRS) Form 2106 with the exception of Armed Forces Reservist, qualified performing artists, fee-basis state or local officials, and employees with impairment-related work expenses. This is in order to comply with the Tax Cuts and Jobs Act of 2017 (Public Law 115-97) for the treatment of unreimbursed business expenses reported currently on IRS Form 2106. VA previously issued guidance with Circular 26-16-10.

2. Background. Unreimbursed employee expenses are reported as a deduction on the borrower's individual federal income tax return (IRS Form 2106, or IRS Form 1040, Schedule A or C). These expenses are used when calculating an automobile allowance and commission income when it is 25 percent or more of employment income.

3. Amended VA policy. As a result of the tax law changes, the different treatment of commission income based on the percentage of employment income and unreimbursed business expenses is being removed. The requirement for IRS Form 2106 with the reporting of 2018 federal income taxes is also removed.

4. Rescission: This Circular is rescinded April 1, 2020.

By Direction of the Under Secretary for Benefits

Jeffrey F. London
Director
Loan Guaranty Service

Distribution: CO: RPC 2021
SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2021)