

FRANZEN & FRANZEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

August 6, 2012 – Job Search Expenses

The Internal Revenue Service periodically releases what they call “Tax Tips.” These releases are informational in nature and cover a broad spectrum of topics. The release below should be of interest to those who are incurring job search expenses.

Issue Number: IRS Summertime Tax Tip 2012-06

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Job Search Expenses Can be Tax Deductible

Summertime is the season that often leads to major life decisions, such as buying a home, moving or a job change. If you are looking for a new job that is in the same line of work, you may be able to deduct some of your job hunting expenses on your federal income tax return.

Here are seven things the IRS wants you to know about deducting costs related to your job search:

1. To qualify for a deduction, your expenses must be spent on a job search in your current occupation. You may not deduct expenses you incur while looking for a job in a new occupation.
2. You can deduct employment and outplacement agency fees you pay while looking for a job in your present occupation. If your employer pays you back in a later year for employment agency fees, you must include the amount you received in your gross income, up to the amount of your tax benefit in the earlier year.
3. You can deduct amounts you spend for preparing and mailing copies of your résumé to prospective employers as long as you are looking for a new job in your present occupation.
4. If you travel to look for a new job in your present occupation, you may be able to deduct travel expenses to and from the area to which you travelled. You can only deduct the travel expenses if the trip is primarily to look for a new job. The amount of time you spend on personal activity unrelated to your job search compared to the amount of time you spend looking for work is important in determining whether the trip is primarily personal or is primarily to look for a new job.
5. You cannot deduct your job search expenses if there was a substantial break between the end of your last job and the time you begin looking for a new one.
6. You cannot deduct job search expenses if you are looking for a job for the first time.

7. The amount of job search expenses that you can claim is limited. To determine your deduction, use Schedule A, Itemized Deductions. Job search expenses are claimed as a miscellaneous itemized deduction and the total of all miscellaneous deductions must be more than two percent of your adjusted gross income.

Please do not hesitate to contact us if you have any questions, or if you would like to discuss this further.