

## 2010 Tax Tips for Your Job Search

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As if being out of work and competing with everyone for work weren't bad enough, an increased number of Americans are discovering yet another unpleasant truth about job hunting: It can be expensive. It costs money to travel to interviews, to get help with resumes, and to look good for those potential new bosses you're trying to impress. Fortunately the IRS allows you to take tax deductions for at least some of those expenses if you itemize on your return.

Job-hunting expenses are grouped in the "miscellaneous deductions" of your tax return, a category which must exceed 2 percent of your adjusted gross income to qualify for the write off. But be aware, these types of deductions are called "preference items" and are added back when it comes to computing the dreaded alternative minimum tax. Here are some of the key job-hunting expenses you can and cannot deduct. If you have been unemployed during the last year, you'll need to report your unemployment compensation as income. However, for 2010, the taxable portion is reduced by \$2,400. Also, severance pay, bonuses, 401K and/or other pension distributions may be taxable.

### What You Can't Deduct

You can deduct certain expenses you have in looking for a new job in your present occupation, even if you do not get a new job. You cannot deduct these expenses if:

- You are looking for a job in a new occupation
- There is over a year break between the ending of your last job and you are looking for a new one
- You are looking for a job for the first time

### Home Office Equipment

- **Cannot deduct:** The full cost of equipment such as computers, printers, and fax machines
- **Can deduct:** A portion of the cost of equipment

Since most office equipment can be used for many purposes, you'll only be able to deduct the percentage of the cost that corresponds to how much of the device you use exclusively for your job search. The good news is that under current law, even though the IRS considers equipment like computers and printers to have a five year life, an exception permits you to deduct up to \$250,000 of equipment purchases in the year of purchase.

### Education

- **Cannot deduct:** Classes and materials if you're training for a new career
- **Can deduct:** Classes and materials associated with your present career

The IRS generally has strict limits on the deductibility of educational expenses. If you were laid off as a chef and you are going back to school to become an investment counselor, you cannot write those classes off. However, if you were laid off as a chef and you take a cooking class, or

you were laid off as an investment counselor and you take a business course, it's considered career development and is deductible. You can also deduct amounts you spend for typing, printing, and mailing copies of a resume to prospective employers if you are looking for a new job in your present occupation.

### **Travel**

- **Cannot deduct:** Your flight and hotel stay in Vegas to search for a vacation house.
- **Can deduct:** Your flight and hotel stay in Vegas if you have an interview scheduled or are going to a documented business seminar.

If you travel to an area and, while there, you look for a new job in your present occupation, you may be able to deduct travel expenses to and from the area. You can deduct the travel expenses if the trip is primarily to look for a new job. Even if you cannot deduct the travel expenses to and from an area, you can deduct the expenses of looking for a new job in your present occupation while in the area. Local and long-distance phone calls are also tax deductible.

### **Coaches and Assistants**

- **Cannot deduct:** The fees for career coaches, resume specialists, web site designers, etc., if you are trying to break into a new field
- **Can deduct:** The fees for the above if you are applying for a job in the same field as your previous job

As with classes and education, if you're using the services of a coach or specialist to assist your job hunting in the same field, it's considered deductible career development. Note that the fees for any help related to your appearance — such as hair stylists, tailors, personal trainers, and dieticians are never deductible — since they don't exclusively benefit your business or ability to do work.

### **Gifts**

- **Cannot deduct:** A \$200 gift basket to thank a potential client for their time.
- **Can deduct:** A \$25 gift basket to thank a potential client for their time.

The IRS caps business gift deductions at \$25.

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### **Resources:**

Certified Public Accountant from New Orleans, Louisiana  
Robert D. Flach, Mainstreet Newsletter  
Adam Piore, Money Watch