

DEDUCTING JOB SEARCH EXPENSES AND RELATED ITEMS

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How many here have ever deducted job search expenses? How many here need to save on their taxes? How many here have prepared Form 1040, and then itemized their deductions?

In order to deduct job search expenses, the IRS says you must itemize, even if it is only for this one purpose, or only for this year. That is, you must use Form 1040 (not 1040 A) and SCHEDULE A (ITEMIZED DEDUCTIONS).

For today's workshop, we are using 2011 as the sample year. If you wish to amend any prior year and claim job search expenses, you will have to print out the correct years' forms. To contact the IRS, please call 1-800-829-1040 or go to www.irs.gov, then click "Individual" then "Forms and Publications".

There are two IRS Publications you need to be aware of:

1. Publication 529

<http://www.irs.gov/pub/irs-pdf/p529.pdf>

2. Miscellaneous Deductions Publication 463

Travel/Car expenses.

<http://www.irs.gov/pub/irs-pdf/p463.pdf>

Your standard 1040 federal forms

<http://www.irs.gov/pub/irs-pdf/f1040.pdf>

<http://www.irs.gov/pub/irs-pdf/f1040sa.pdf>

Basic Rules: You must be a US citizen You must be searching for a job in your same occupation. Let's say you were an accountant for Chevron, and you wish to become an accountant for Nordstrom; This is the same occupation, but in a different industry and is acceptable. You may not deduct these expenses for your first ever job.

Use Line 23 on Schedule A to summarize your total gross deductible jobsearch expenses. Write in "Job Search Expenses – Same Occupation" Subject to excess of 2% of AGI.

If you had any legal expenses for (A) Doing or Keeping your job, or (B) Producing or collecting taxable income, include the word "LEGAL" on the dotted line.

NOTE: The IRS will assume you can substantiate all claimed expenses which you signed for under penalty of perjury. We will list the various types of documents/logs you must have shortly. These are easy for professionals such as we have in EU.

If the total gross amount exceeds say 20% of your AGI, call the IRS (ask for the Small Business Unit – Schedule A section) to discuss this matter anonymously. The IRS told me just last week that they are fully aware of the unemployment problem in the US, especially in states such as California, where distances can be great just by attending job fairs. They are required to give you their full name and ID Badge number for fairness purposes (you should write this down and ask them to repeat it if such information was unclear.) They will not ask for your name or any personal details. **BE SURE TO KEEP A FULL RECORD OF THIS CALL, AS THEY WILL BE GIVING YOU ADVICE FROM THEIR TRAINING ON THE SUBJECT.**

You will only itemize your job search expenses if you will achieve a tax savings by doing so. If you compare your tax bill using the Standard Deduction and find it is lower, **DO NOT ITEMIZE.** Let us turn to Form 1040, Line 37. This is your AGI, or adjusted Gross Income.

Now let's look at Line 40 and Line 43. The standard Deduction is listed just to the left – Single \$5,800, MFJ, or widower is \$11,600, Head of Household is \$8,500.

Deductible job search expenses Resume preparation, photocopies, distribution, computer expenses, What you paid for classes, or seminars, or tuition to update your skills Travel and transportation Mileage allowance (2011 was a split year 1/1/11 to 6/30/11 is \$.51/mile, \$.555 thereafter; NOTE: The IRS wants opening/closing odometer readings for all trips claimed. Attending job fairs, interviews, meetings including EU functions Telephone call as a percent of total phone bills (any questions) Legal fees to do or keep your job. Employment/outplacement agency fees – not reimbursed.

Your log and backup documents You may use an excel spreadsheet with columns listing type of event, job fair, networking, testing, panel discussions, meetings, seminars, lunches. Dinners, if confirmable by others who invited you.

Date. Time, exact address, bus/train fares (not gasoline or parking tickets). Tolls, parking fees, cancelled checks/credit card slips if any. Names, titles of hiring personnel showing company or government agency names, hotel/motel receipts if overnight stays were needed. Literature, books, outplacement fees, employment agency fees, employment counselors fees, not reimbursed.

SUPPORT

Anything, everything that will satisfy someone you incurred the expense.