

# Doron F. Eghbali Business Law

## How to Deduct Job Hunting Expenses

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Despite the high rate of unemployment, some people are prudently spending money on securing a job. This could be comforting to know some of these job hunting expenses could be tax deductible.

However, deducting job-hunting expenses is subject to some limitations explained here.

### **WHO IS QUALIFIED? The "Same Occupation Rule"**

This is unfair. But, unfortunately, not all job seekers are qualified to take advantage of job-hunting expenses deductions. The rule is you can only deduct expenses to search for a job that is in the "same occupation" as the one you had. Or, you could deduct the expenses if you are looking for a better job, in the "same occupation" that you already have.

If you pass this test, then subject to some other limitations, explained below, you are qualified to deduct job-hunting expenses, even if such search proves to be futile.

#### **1. What Does the "Same Occupation" Mean?**

The IRS looks at the substance over the form to determine whether a job search involves a job similar in nature to the one taxpayer already had. In other words, look at what the jobs entail rather than what the job titles are. For example, you used to work at a CPA firm as the person in charge of accounting. Now, the job you are applying for is a corporate accounting job, this would qualify. But, if you are applying for a marketing position at another CPA firm, this would not qualify.

#### **2. Deduct Expenses While Working Temporarily.**

You could also deduct expenses, if you are temporarily working on another job while looking for your previous job you have lost. These job-hunting expenses would qualify. Unfortunately, a lot of people are facing this dilemma now. For instance, let's say your previous job was a construction worker. Now, you are working as a waiter, but looking for a construction job, you can deduct the expenses.

#### **3. Caveat**

Generally, if you are a new high school or college graduate and are looking for your first job, by definition, you cannot deduct such expenses. However, if you worked enough during school to establish your first occupation, then deducting such expenses might be possible.

## **WHAT EXPENSES ARE DEDUCTIBLE?**

Some of the typical deductible expenses are:

- Resume preparation
- Travel costs including 50% of meals while out of town
- Unemployment agency fees
- Copying
- Postage
- Long-distance phone calls
- Driving expenses (55 cents per mile in 2009)

### **1. Caveat: Travel Costs and Reimbursement**

Travel costs must be job-related. You cannot deduct travel expenses for a trip you take to another state for two weeks to play golf and you happen to go to a job interview.

In addition, you cannot deduct travel costs that are reimbursed by a future or past employer.

### **The 2% ADJUSTED GROSS INCOME *OBSTACLE***

Even if you are qualified to deduct your job-hunting expenses and the items you intend to deduct are indeed deductible, still the IRS requires such deduction must be above 2% of your adjusted gross income (AGI).

In addition, you have to itemize your deductions.

To determine if you can clear the 2% AGI hurdle, enter your job hunting expenses on line 23 of Schedule A (Itemized Deductions) and fill out the rest of lines 22-27. Then attach the completed form Schedule A to your Form 1040.

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