



April 23, 2010

Tax Breaks for Unemployed and Lower Income Americans

Here is some good news from the IRS for the unemployed. They have agreed to give out-of-work Americans a few tax breaks this year. This could not have come any earlier for the approximately 14 million Americans who are currently jobless.

Unemployment income has been taxable all these years but for this year, according to the National Endowment for Financial Education (NEFE), the IRS has declared that the first \$2,400 you received in unemployment income last year will be free from tax. And if your spouse is also unemployed, he or she qualifies for this tax break as well.

However, this tax break does not mean you do not have to pay any taxes at all. You are still obligated to report your income and pay whatever taxes you are liable for. If you have received any form of severance pay or retrenchment cash benefit or payouts for sick leave you are still required to declare such income. All expenses you made trying to find a job can also be deducted from your taxable income, as long as you were trying to secure a job in the same line of work. This applies whether you were successful in landing a job or not. Expenses related to this would include typing, printing or mailing resumes, travel expenses, postage and fax charges and employment agency fees. Even moving expenses are tax-deductible provided you secure a job that required you to move at least 50 miles from where you were staying. You can get more information on this from IRS Publication 521.

If you need to dip into your retirement funds to meet expenses because of your job loss, you can in some cases do this without incurring the usual 10% penalty. For more information, read IRS Publication 575.

If you were not entirely jobless but fall into the lower income group, you are also entitled to certain tax breaks. For example if you drew not more than \$49,000 in wages last year, you can be entitled for the Earned Income Tax Credit. This credit can earn you a refund or lower your taxes. But the conditions are that you must have earned your income from an employer or from your own business or from another source that qualifies you for this credit. However, unemployment income does not qualify you for the Earned Income Tax Credit.

For all your IRS questions and problems, give us a call at (813) 229 7100 or toll free (888) 438 6474 for a free consultation.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.