

## JOB HUNTING COSTS: WHAT YOU CAN AND CAN'T DEDUCT

**I**f you are unemployed or expect to be, you can get a tax break simply by looking for a new job. You also may get a tax deduction if your employer relocates and you have to move to retain your job. Of course, you must meet certain eligibility guidelines, and you'll need to itemize your deductions.

### JOB-HUNTING DEDUCTION

To be eligible for a deduction for job-hunting, you must be seeking a job in your current line of work. That means if you're an information technology (IT) specialist and you're looking for a new IT position, you qualify. But if you decide to switch careers, you won't be able to write off the cost of finding your new position.

Job search expenses are not deductible when there has been a substantial break between your prior employment and your search for a new job. For example, a spouse who leaves the work force for several years to raise a child cannot deduct costs associated with a job search. You're also barred from deducting expenses related to your job search if you're looking for your first job, as might be the case for college graduates.

### KNOW WHAT IS DEDUCTIBLE

You can deduct fees you pay to an employment agency or outplacement firm. The cost of resume preparation, printing and mailing are deductible, as is the cost of stationery, such as paper and envelopes. Also deductible are long-distance phone calls, publications that aid your job search and job-wanted ads.

For some job hunters, the cost of travel is the biggest expense. You usually can deduct your mileage to and from the job interview site.

You also may deduct air or train fares, hotel and meal expenses, cab fares and other incidentals when you travel long distances for an interview. CPAs caution that this holds true only if your primary reason for the travel was related to your job search. The amount of time you spend on personal activities compared to the amount of time you spend looking for work determines whether your expenses are deductible.

Bear in mind that you may not deduct expenses for which a prospective employer reimburses you.

### UNDERSTAND HOW TO FILE

You must be able to itemize deductions on Schedule A of your tax return to claim a deduction for job search expenses. These expenses fall under the heading of miscellaneous itemized deductions, which also includes tax preparation fees, unreimbursed employee business expenditures, education that furthers your profession, investment fees and work uniforms.

Even if you itemize, you may not get the full benefit of this deduction. That's because these expenses are deductible only to the extent that in the aggregate they exceed 2 percent of your adjusted gross income. If your adjustable gross income is \$30,000, you can deduct only those miscellaneous itemized deductions that exceed \$600 (2 percent of \$30,000).

### DEDUCT RELOCATION COSTS

You also may deduct moving expenses if you need to relocate to be closer to your new job or because of a transfer or the relocation of your worksite. To deduct moving expenses, you must meet two tests: (1) your new job location must be at least 50 miles farther from your former home than your old job location; and (2) you must work full-time for at least 39 weeks during the 12-month period following the move.

Deductible expenses include the cost of moving your household goods and personal effects. You also can deduct travel costs to the new residence for you and your family, including lodging but not meals.

### DEDUCTIBILITY OF MEDICAL EXPENSES

Whether or not you are out of work, you may be able to deduct medical or dental expenses for you or your family. You can only deduct that portion of your combined medical or dental costs that exceeds 7.5 percent of your adjusted gross income (AGI), however. So if your AGI is \$30,000, you only will be able to deduct that portion of such expenses that exceeds \$2,250

You can include the cost of your premiums for medical and dental insurance, including COBRA, in your total medical expenses, however. If you decide to become self-employed or work as a freelancer, you can deduct 100 percent of the cost of such insurance.



### KEEP GOOD RECORDS

Be sure to keep good records to document your job-hunting, relocation and medical expenses. An effective way to track your expenses is to keep a log in your PDA or in a notebook. On a daily basis, record your activities and the expenses associated with them. Also, be sure to save related credit card receipts, cancelled checks and invoices.

If your job hunt includes travel, a log showing what you did while out of town will help you substantiate that the trip was primarily for job seeking purposes. 

