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Your Job Search Expenses May Be Tax-Deductible

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Did you spend substantial amounts of money looking for a new position last year? You may be able to succeed where Nelson Rockefeller failed and take a tax deduction for many of your job search-related costs.

When New York Governor Rockefeller was appointed vice president in the '70s, he deducted expenses incurred in connection with his congressional confirmation hearings. Years later, the courts upheld the IRS's denial of the write-off, saying it violated a key rule on job search deductions: You must be looking for a job in the same trade or business as your previous position.

But fear not: The legitimacy of these deductions rarely gets decided in court. Armed with a bit of knowledge and some individualized professional tax advice, you may be able to reap savings by writing off a variety of job search costs.

Three Major Deduction Categories

Deductible job search expenses generally fall into three categories, according to IRS Publication 529:

- **Outplacement and Employee Agency Fees:** If you pay for job counseling or to have an agency match you with an employment opportunity, this expense is generally deductible. Of course, if you are reimbursed by an employer or anyone else, you cannot deduct these fees.
- **Resume Preparation, Mailing and Related Expenses:** Paper, envelopes, portfolios, postage, phone calls and the like add up. To deduct them properly, you'll need to keep meticulous records, including receipts and notes on the purpose of purchases.
- **Travel and Transportation Expenses:** Whether you take the bus to an interview or fly across the country to pound the pavement, your job search-related travel and transportation expenses may be deductible. But remember: The amount of time you spend searching for a job versus engaging in personal activities during your journeys can be a factor. In other words, a three-week trip in February with one face-to-face informational interview thrown in isn't going to cut it. These deduction rules are complex; get professional advice.

Before You Take That Deduction, Consider These 4 Factors

Even though you now have an idea of what to deduct, you still need to jump through some hoops -- four, actually -- before plugging in those deductions:

- **You Must Be Looking for a Job in the Same Occupation:** Career changers don't get a break from the IRS. "If a general manager of a food market goes out and looks for a job as a VP of an Internet company, that's not going to fly," says Bradford Hall, managing director of Hall & Co. CPAs.

Distinctions between career fields can be arguable, so it pays to get professional advice. "I would go ahead and take the deduction if, say, you switch from journalism to marketing, because it's all communications," says Jim Dowling, senior tax manager for Weaver and Tidwell LLP.
- **You Can't Take a 'Substantial Break' Between Your Previous Job and Your Search:** "There's no specific time frame provided by the IRS," Hall says. "But if a teacher becomes a stay-at-home mom, then years later decides she wants to go back, that's too long" to qualify for job search deductions. "The IRS wants to encourage people to get back on the horse and get back in the labor force."
- **You Can't Be Looking for Your First Job:** High school and college students seeking their first real-world job cannot deduct search expenses -- you must be transitioning between career positions.
- **Job Search and Other Miscellaneous Deductions Must Exceed 2 Percent of Adjusted Gross Income:** Major caveat: You can only deduct job search costs to the extent that they -- lumped together with all other miscellaneous deductions (such as un-reimbursed employee expenses) -- exceed 2 percent of your adjusted gross income. What if December 31 rolls around and you're still looking? Relax -- you can write off well-documented job search expenses for the year just ended, even if they haven't yet paid off with a new job.



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