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Job Search Expenses Can Be Tax Deductible

Summertime is the season that often leads to major life decisions, such as buying a home, moving or a job change. If you are looking for a new job that is in the same line of work, you may be able to deduct some of your job-hunting expenses on your federal income tax return.

To qualify for a deduction, your expenses must be spent on a [job search](#) in your current occupation. You may not deduct expenses you incur while looking for a job in a new occupation. The following are examples of deductible expenses:

- Employment and outplacement agency fees you pay while looking for a job in your present occupation. If your employer pays you back in a later year for employment agency fees, you must include the amount you received, up to the amount of your tax benefit in the earlier year, in your gross income.
- Fees for career counseling
- Resume preparation costs, such as typing, printing and mailing.
- If you travel to look for a new job in your present occupation, you may be able to deduct [travel expenses](#) to and from the area to which you traveled. You can only deduct the travel expenses if the trip is primarily to look for a new job. The amount of time you spend on personal activity unrelated to your job search compared to the amount of time you spend looking for work is important in determining whether the trip is primarily personal or is primarily to look for a new job. Thus, it is advisable to keep a contemporaneous log of your activities during the trip, as well as receipts for your expenses.

You cannot deduct your job search expenses if there was a substantial break between the end of your last job and the time you began looking for a new one or if you are looking for a job for the first time.

To deduct job search expenses, you must itemize your deductions. If you use the standard deduction, you get no benefits from job search expenses. The deduction is also part of your [miscellaneous itemized deductions](#), which are allowed only to the extent they exceed 2% of your adjusted gross income. So, depending upon whether you have other miscellaneous deductions, the job search expenses may be further limited. Miscellaneous itemized deductions are not allowed at all if you are taxed by the [alternative minimum tax \(AMT\)](#), so to the extent you are taxed by the AMT you receive no benefit from job-seeking expenses.

If you have questions related to job-seeking expenses or how they fit into your taxes, please give one of our professionals a call.