

JOB SEARCH TAX ISSUES

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When don't you think about taxes, money and related financial issues? It seems to dominate the thought-process of just about everyone. During a job, life or major transition of any kind these issues seem to amplify worry even among the seemingly strongest of us all. Bills never seem to slow down during any kind of a career transition. Well, they never slow down no matter what! During career transition, this can increase acute stress and decrease the open-minded, positive focus one needs to successfully search for and find not just the next best job but the next best career life opportunity.

Some counselors recommend having the emergency six or twelve-month's salary salted away for just such occasions. Although this seems sound it's still stressful to look for a job while you have a job or not. I take notes on what people say at conferences, meetings and presentations. You might be amazed at some of the opinions and noise that I have notated over the years. It seems nobody is short of opinions on what you should do to land a job, track or spend your money. Platoons of well-meaning friends will line up at dinner parties to share mostly anecdotal, unqualified advice on a number of matters. Let me just share some with you as it pertains to career transition issues.

Specific and other career transition advice I have heard and overheard from industry peers, jobseekers, executives and non-executives include:

Oh, you're looking for a job now? You know what I would do? I would get a temporary job to keep the bucks rolling in and then look for a full-time job. Job search costs you. Every month you are unemployed you lose money and you can't write any of it off.

You really need to have a job to get a job or you will lose lots of leverage on your negotiations. This looks bad.

Your job search stuff is 100% tax deductible. I know for sure.

Everything you do in job search is not tax deductible. You'll get nailed by the IRS if you write any of it off.

You can't deduct anything but driving miles for interviews if you are looking for a job. But then you have to itemize and there is a line there. You have to be over a certain amount of money before job search expenses are deductible.

Isn't it stressful to look at the checkbook when you are unemployed? I hate that. I drained mine. Then again I procrastinated and forgot to get into the unemployment office. I didn't think my search would last nine months but it did. How long have you been unemployed?

I made \$125,000 last year. Every month I am out of a job I essentially am losing ten grand. I probably should have solicited your help earlier but I am ready to roll now.

I heard you get childcare off on your taxes during job search. It may have been wrong but I wrote it off anyway and haven't gotten in trouble so try it.

I signed up for training but I heard that can cause tax problems if you write it off. So I didn't. Is it allowed in this state? I don't know.

I was afraid to write off my expenses for moving. That may be wrong but I just didn't want to create any tax problems and my accountant said it was kind of iffy to write it off.

Volumes of this kind of advice may be available if you just listen. Be careful of asking for advice – you might get it. So let's go over some general rules as they relate specifically to career transition, job search and tax rules. For more information I recommend consulting with your accountant, CPA, qualified tax adviser, and always plan in advance.

You may be surprised. The federal government does help jobseekers in several ways. Look closely at job search expenses, including childcare, moving, health care and don't forget education. Clear record keeping and detailed notes will help.

What do I need to know and keep in mind? First, remember that laws change; however, here is some general advice. It is not mandatory that you are unemployed or employed to deduct expenses. **Generally, a deduction is allowed for employment search expenses in the same trade or business regardless of whether or not the search is successful states.** A. Richard Koenenn, a Partner with Deloitte Tax LLP in Raleigh, North Carolina.

He goes on to point out that **job search expenses for an individual seeking employment in a new trade or business are not deductible even if the taxpayer is successful in finding the desired position.**

Are your job-search expenses 2% of your adjusted gross income? Then expenses that exceed 2% can be deducted. Look at your entire year's tax situation. Depending upon your income, time out of the job market, travel, training and other expenses you may qualify. Detail airfare, rentals, mileage, gas, other travel costs, phone bills (cell and home), training courses, meals, meeting fees, association dues, etc. Track your daily activities on companies contacted through email, leads sent to and conversations. If you change careers you need to check even more closely with your tax advisor as to what might be considered a career change. If you are just moving from sales in one industry to another you aren't changing careers. This is important to note. What if you have taken a long absence due to children, health or other reasons? These particular dilemmas carry their own challenges but they can also present problems to those who would claim a deduction after years out of the workforce.

Your single greatest investment during your career is you. Investing in books, tapes, networking events and training that you pay for and value can make all the difference in your career. Your personalized career training path should not just be dictated by your employer. You should drive this area – the investment in yourself area. So too has the government recognized this value. Your educational expenses may be deductible as a business expense if the education (1) maintains or improves a skill required in your trade or business or (2) the education is required by the employer, laws, or regulations and is a condition of continued employment, status, compensation, etc. Additionally, tuition at any post-secondary institution may be deductible at up to \$ 4,000 for 2004 this year if your adjusted gross income doesn't exceed \$65,000. It goes to \$130,000 if you're married and filing jointly. Is there an alternative to this? You can utilize a lifetime-learning credit of 20% or up to \$10,000 in tuition per household. The credit begins to phase out when modified adjusted gross income is in excess of \$42,000 for single taxpayers and \$85,000 for married taxpayers filing joint returns.

If you are faced with the daunting, skyrocketing costs of health insurance as you career transition this can involve many other issues to you and your family. For piece of mind consult with a tax adviser on issues of this nature because this can be a huge expense and distraction during career transition. A female executive client of ours returning to work after an absence said this on the issue of childcare: *I checked with my CPA and found out the child-care tax credit that has application to children younger than 13. It covers 20% to 35% of those costs up to \$3,000 for one child and \$6,000 for two or more. I worked part-time in my field for the last three years and didn't make more than \$25,000 a year. I expect to make more than double that when I go back.* Is she right? Yes, she is right but the credit is reduced by 1 percentage point for each \$2,000 of adjusted gross income in excess of \$15,000 until the minimum credit percentage of 20% is reached at \$43,000 of adjusted gross income.

Many companies pay. Many companies don't. Moving expenses add up. So consider this when you negotiate your new job across the state or in another state. One of our clients recently said this: *I couldn't win a big allowance from my current company to move or cover moving expenses in their outplacement package. But I checked like you said with my accountant. A lot of it is tax deductible even if you don't itemize. It just has to be more than 50 miles from where you currently live to qualify. That helps.* Is this true? Again, my mantra, check but the general rule is he is right – **you can deduct moving, gas, tolls, costs of shipping and other expenses even without itemization.** A special note - many of our clients often forget that donating items to a rescue mission or other charitable cause during a move can add up. *Usually, the biggest part of most job search deductions is travel expenses,* according to John Piaski, CPA, PA. Keep track of moving miles too. They are deductible at a smaller than average business rate. Be careful of job-hopping; that may make you have to amend your return thus losing this deduction if you are employed less than 39 weeks (in the next 12-month period after you move). Self-employed? This means you have to be employed 78 weeks of the first 24-month period.

Things you may not need during the search are brand new cars, the hottest computers, newest of the new cell phones, Armani suits and jewelry.

One of the most important things to remember is that people usually end up okay during a career transition. Don't let fear, procrastination or even some expenses associated with your job search stop you from making a proper and prosperous transition. Oh yes, don't listen to rumor or hearsay either. Remember, whether expenses are tax deductible or not you are investing in the most important thing you can invest in – you! Track expenses and keep notes but don't worry over them. So look for ways to reach your goals, decrease search time and be productive. Don't look for ways to scrimp and save. Invest the time, energy, effort and focus you need to win the search game.

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In 2004, Mr. O'Connor became the first private practice Certified Federal Job Search Trainer (CFJST) in North Carolina. He is also a Certified Electronic Career Coach (CECC). With a unique fiction writing pedigree with fiction publications as well, he obtained a Master of Fine Arts in Creative Writing from Bowling Green State University. With over 14 years experience in professional career transition, resume writing and career coaching, O'Connor applies his considerable job market expertise to career transitioners nationally.

He has been featured recently (May 2003 and May 2004 feature) in the Raleigh News & Observer, Resume Writers Digest, The Gladiator, Execunet, Career Masters Institute Monthly Newsletter, Monster Career News and other national publications such as JIST. Additionally his diversified experience includes serving as a college professor.