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March 2000 - Claim All of Your Job Expenses and Other “Miscellaneous” Deductions on Your Tax Return

Do you have expenses resulting from your job that your employer does not reimburse you for? The best tax savings suggestion I can offer you in that case is to ask your company to start paying for these expenses, even if you have to phase it in gradually and take partial pay cuts to do it. Why would I suggest such a thing? There are two good reasons: (1) You do not get a full tax deduction for job expenses if you pay them yourself, since they are reduced by 2% of your income. For example, if you earn \$40,000 per year, the first \$800 of job and other miscellaneous expenses is NOT deductible. (2) If your company feels they have included payment for these items in your regular paycheck, then this payment becomes needlessly subject to social security and Medicare taxes and makes your income that much higher for computing medical and “miscellaneous” deductions.

In spite of your best efforts, you may have still paid some of these expenses yourself. By all means, keep good records and claim all of them you are entitled to. Be sure to include the little things you may have forgotten, such as:

- Professional organization, chamber of commerce, or union dues. Also subscriptions to their publications.
- Job search expenses (in the same line of work), including employment agency and resume preparation fees as well as travel and automobile costs, even if you don't find a new job.
- Safety equipment and supplies required at work, including hard hats, eye and ear protection, and steel-toed or special soled shoes.
- Tuition, books, fees, and travel expense for education costs that maintain or improve your job skills AND do not lead to qualification for a new profession. Be sure to consider whether this deduction or one of the education credits will be most beneficial
- Business telephone calls made from anywhere outside your employer's office.
- Tools or equipment used on your job. Make sure you keep receipts that describe the items purchased and the business need for them.

- Uniforms, including cleaning and repair, IF they are both required to keep your job AND are not suitable for wear when not at work.
- Driving directly from one job to a second job. Note that if you go home in between the two jobs, the travel to both is considered non-deductible commuting.
- Driving from your company office to other offices of your company or to your customers or clients.
- Driving to a temporary job location away from home which is realistically expected to last less than one year, and actually does.
- For any of these deductible uses of your vehicle, you can choose between the IRS mileage rate or depreciation plus operating costs. The IRS mileage rate was 32.5 cents per mile until March 31, 1999. Beginning April 1, 1999 it dropped to 31 cents per mile.
- If you share lodging with a coworker to save costs when traveling on business, be sure to get and keep receipts for the portion you pay.
- You may choose to claim an IRS meal allowance when traveling on business. For 1999 this allowance was \$30 per day in most locations in the continental U. S., with higher amounts of up to \$46 in certain high cost locations designated by the IRS. If you use the meal allowance, it includes incidental expenses such as laundry and tips in addition to meals. On the first and last day of each trip, you are only allowed to claim 75% of the daily allowance. Of course, if you keep receipts for the year, and they total more than these allowances, you can claim that total.
- This category includes “miscellaneous” deductions in addition to job expenses. These include investment advisory fees, tax preparation and tax audit representation fees, safe deposit box fees, and retirement account fees if paid directly by you rather than being deducted from the balance in the retirement account.

Next month:

Make sure you are claiming all of the deductions and credits for your dependents that you are eligible for on your income tax returns. These include education, child care, the “additional child tax credit”, and much more! I hope to have you with me then.