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OFFICE OF THE CHIEF COUNSEL

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Dear _____ :

This letter responds to your February 12, 2010 request for information on the deductibility of job search expenses. You also requested information on any articles, memos, and literature that the IRS has published on this topic. Finally, you asked whether the IRS or anyone else sponsors a seminar or workshop on this topic. With respect to this last request, I am not aware of any seminar or workshop on this topic. I hope the following general information is helpful.

Deductible job search expenses.

Generally, if an individual is looking for a new job in the individual's current trade or business, then section 162 of the Internal Revenue Code (Code) permits a deduction for expenses incurred even if a new job is not secured. If, however, an individual is looking for a job for the first time or for a new job in a new trade or business, then no deduction for expenses incurred is permitted even if a job is secured. See also Rev. Rul. 75-120, 1975-1 C.B. 55.

In determining whether an individual is looking for a job in a new trade or business, the continuity and regularity of the individual's business activities are considered. An isolated or occasional activity is not a trade or business. Individuals, however, may engage in several trades or businesses either independent of, or in connection with, their principal trade or business. See Rev. Rul. 78-93, 1978-1 C.B. 38, and Rev. Rul. 55-109, 1955 C.B. 261, 263. If the new job involves duties of the same general type or work as those involved in the individual's present job, then the new job does not constitute a new trade or business. See section 1.162-5(b)(3) of the Income Tax Regulations. If the individual is not employed at the time he is looking for a job, then the individual's trade or business would consist of the services previously performed for his past employer provided there has not been a substantial break between the ending of the last job and the search for a new job. See Rev. Rul. 75-120.

Examples of deductible job search expenses are as follows: (1) the costs of typing, printing, and mailing copies of cover letters, resumes, and job applications including associated office supplies; (2) office services such as expenses incurred to fax information to prospective employers; (3) the cost of long-distance calls to prospective employers; and (4) employment and outplacement agency fees, career counseling, coaching expenses, and job website subscriptions. See Rev. Rul. 77-16, 1977-1 C.B. 37; Rev. Rul. 78-93 (career counseling); and IRS Publication 529 (deductible job search expense). See also Rev. Rul. 92-69, 1992-36 I.R.B. 5, for guidance respecting certain employer-provided outplacement services.

Section 162 also permits the deduction of travel and transportation expenses incurred to look for and/or interview for a job, if the travel is to a destination outside the metropolitan area where the individual lives and normally works and the trip is related primarily to seeking employment in the individual's trade or business. If an individual travels to a destination and while there looks for a new job and also engages in personal activities, traveling expenses to and from the destination are deductible only if the trip is related primarily to seeking a new job. The amount of time that is spent on personal activity compared to the amount of time spent looking for a new job is considered in determining whether the trip is primarily personal. Even if the trip is considered personal, however, expenses incurred to look for a new job are deductible even though the traveling expenses to and from the destination are not deductible. Examples of deductible travel and transportation expenses are: (1) car rental, toll, and parking fees; (2) lodging; and (3) meals, though the cost of meals is generally limited to 50 percent. See section 1.162-2; Rev. Rul. 75-120; Rev. Rul. 77-16; IRS Publication 529 (deductible job search expense); and IRS Publication 463 (deductible travel, transportation, and meal expenses).

Job search expenses that are not deductible.

Section 262(a) of the Code provides that an individual cannot deduct personal, living, or family expenses unless a deduction is specifically provided for by another Code section. Examples of expenses an individual may incur in seeking a new job that are nondeductible personal or living expenses are: (1) the cost of a new suit, shoes, and a tie for interviewing; (2) the cost of a phone, a fax machine, a computer, and phone and internet service; and (3) the cost of newspapers and magazines.

Deductible moving expenses.

Subject to certain requirements, an individual can deduct moving expenses incurred in connection with obtaining a new job. Section 217(a) of the Code provides that moving expenses paid or incurred during the taxable year in connection with an individual beginning work as an employee or as self-employed at a new principal work place are deductible.

Section 217(b) provides that the term “moving expenses” means only the reasonable expenses of moving household goods and personal effects from the former residence to the new residence, and of traveling (including the cost of lodging, but not the cost of meals) from the former residence to the new residence. Moving expenses for any individual other than the taxpayer are taken into account only if such individual has both the former residence and the new residence as his principal residence and is a member of the taxpayer's household.

Section 217(c) provides that no deduction is allowed unless the taxpayer's new principal work place is at least 50 miles farther from his former residence than was his former principal work place (or if he had no former principal work place, is at least 50 miles from his former residence) and either (i) during the 12-month period immediately following his arrival, the taxpayer is a full-time employee during at least 39 weeks, or (ii) during the 24-month period immediately following his arrival, the taxpayer is a full-time employee or is self-employed on a full-time basis, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period immediately following his arrival. The travel distance between two points is to be the shortest of the more commonly traveled routes between the two points. See also IRS publication 521 for additional information on deductible moving expenses.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2010-1, § 2.04, 2010-1 IRB 1 (Jan. 4, 2010). If you have any additional questions, please contact our office at

Sincerely,

Thomas D. Moffitt

Thomas D. Moffitt
Branch Chief, Branch 2
(Income Tax & Accounting)