



2019.20 Training

Subject: How Unemployment Can Affect Your Tax Return | Talking

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If you've received unemployment benefits, they are generally taxable. Most states do not withhold taxes from unemployment benefits voluntarily, but you can request they withhold taxes at your request. Make sure you include the full amount of benefits received, and any withholdings, on your tax return.

Other factors you'll need to consider:

I am collecting unemployment – will that impact my income tax?

- Unemployment benefits are taxable.
- Total income is generally lower when you are collecting unemployment so you may qualify for the Earned Income Tax Credit (EITC) or a higher childcare credit, and you may even be able to include the Additional Child Tax Credit.

Will I owe taxes because of my unemployment compensation?

- Generally, states don't withhold taxes on unemployment benefits unless asked.
- However, if you qualify for EITC, or the child tax credits, your taxes could be covered.
- If you are still unemployed, you can set up a payment plan with the IRS or work out other delayed payment options. Beware: The IRS continues to assess penalties and interest on any unpaid amounts of taxes.

How do I deduct my job-hunting expenses?

- Job-hunting expenses such as travel, cost of job placement companies, resume costs, etc. are no longer deductible.
- Moving expenses are also no longer deductible unless you are active-duty military moving under military orders.

Are government benefits taxable?

- Check with your local benefits offices; you may be eligible for state and federal benefits due to the change in your income. Benefits such as SNAP, housing subsidies, childcare subsidies, and many others are generally not taxable. Gifts from various organizations, such as local food pantries and utility and gas programs are usually tax-exempt.

Do I have to claim my severance pay on my tax return if I already paid taxes?

- Severance pay is a lump-sum payment received from a company when you are terminated due to job closings, company reductions, or even company closures. The money is based on time in service and job performance, so it is taxable as wages. The total you receive will have the usually Social Security and Medicare taxes withheld and will have taxes withheld.

I lost my health insurance when I lost my job, do I have to pay a penalty?

- You must be covered by health insurance for the full year or pay a penalty. There is still a penalty for 2018; it is the smaller of \$695 per person (up to \$2,085) or 2.5% of income. Under tax reform, the penalty is \$0 in 2019. You may be eligible for an exemption for the period of the year you aren't covered by health insurance. Check www.healthcare.gov for more information.
- Dues paid such as Chamber of Commerce, local small business association or trade group.
- Publications and books on the business or for the business – like magazines in a waiting room.
- Storage.
- And other expenses that are common for your business.
- Costs that you have when setting up an active trade or business, investigating the possibility of creating or acquiring a business, and some legal fees are business start-up costs. You can choose to deduct up to \$5,000 of business start-up costs now and claim a deduction of the remaining cost over 15 years. Franchise fees, goodwill, and customer-based intangibles are also amortizable.
- IRS regulations do not allow taxpayers to deduct the full cost of assets used in a business the year they are purchased, instead they allow depreciation, which is a percentage of the asset to