

How to Get Your Friends at the
Internal Revenue Service to
Pay for Job and Career Coaching

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We're one hundred percent confident that the career coaching investment you make in yourself will pay for itself many times over. A dollar spent on advancing your job and career search can have a ten-fold ROI. Clients often tell us, "I wish I had done this years ago!" In fact, some people even lament, "I wish I had come to you sooner because now I'm so far 'behind the financial eight-ball' and I can't afford this investment."

"I can't afford this investment, but I can't afford to NOT afford it either!" That's a bind.

Where can you turn for financial help? Is there a "Friend" who can help out at this time – is there some way to make it more affordable? Yes. Your friends at the IRS. While they won't pop a check in the mail immediately, they are ready, willing, and able to come to your aid in the form of a tax deduction.

TAXES: THE INVISIBLE BILL

This "white paper" will help you actually see, in black and white, this otherwise invisible contribution. Invisible? Yes. Let's face it. Paying taxes through payroll deductions is like an "invisible bill." Even taxpayers filing quarterly estimated tax payments feel the same. Part of your money is set aside in the government's coffers and you never see it until the April 15th day of reckoning. And, since the withholding table calculations usually makes you set aside *more than you actually owe*, April 15th can generate a refund that feels like a windfall! Free money. Deep down you know it's your own hard earned money, not a bonus or gift, but, still, it feels like money someone else gives you.

In most people's minds it's hard to feel the cause and effect relationship between the amount of money you get on April 15th, and the tax-favored spending you do today. Enrolling, as a client with Lucrative Careers, Inc. will *directly generate* a \$300 up to \$1600 savings in the form of your tax refund. It is very real, spendable money, real numbers on a real check from Uncle Sam, as you'll see in a moment by reading this paper.

TAX BREAKS

Taxes not only fund the day-to-day running of the government, but in the form of *tax breaks and incentives*, they help people buy certain things -- specifically, things that congressmen think are important. Housing, for instance. Tax breaks encourage people to build, purchase, and fix up their

homes. (Watch for the big difference between the home *owner* and home *renter* in the charts that follow.) Starting your own business is encouraged, too, and getting ahead in your career.

The government gives you tax breaks if you invest in your career. Your income tax *refund* will be hundreds of dollars bigger if you show Uncle Sam that you are spending money for career advancement. This white paper will help that money become more visible, tangible, real to you.

TAXES: FACTS ABOUT THE CAREER DEDUCTION

Deducting the costs of advancing your career is very straightforward. You simply add up all your career advancement expenses and list them on line 20 of a form called <Schedule A: Itemized Deductions>.

Here's how it's calculated. (BTW, if the math in the next two paragraphs throws you, don't worry. The two taxpayer examples below will make it clear.) The amount of money used to calculate your income taxes is called your Adjusted Gross Income, or AGI. The money you spend on a job search or career advancement is deductible in the amount it exceeds 2% of your AGI.

So, for instance, if your career-related spending is	\$6000
And if 2% of your \$50K adjusted gross income is	<u>(\$1000)</u>
Then Uncle Sam gives you back any taxes owed on the..... difference:	\$5000
28% refund of \$5000 equals your tax savings.	Tax Savings Equals \$1400

By contrast, if you had spent the six grand on food, clothing, toys, entertainment, vacation, etc., you'd have to pay \$1400 in income taxes, too.

This \$1400 tax savings shows up either as
--an income tax refund check if the amount of withholding has overpaid your taxes, or
--as lower tax bill when you have underpaid your taxes.

THERE ARE SOME LIMITATIONS.

First they won't finance career *change*, they only fund career *preservation or advancement*. You have an advantage, here. The Success Factor Analysis you will undertake with our career advising program will substantiate that you're using the same career skill set not matter what career you choose, and can often show that it does qualify. For instance, if you switch from selling apples to selling airplanes, you'll be able to show how it's not a career change, but a career advancement using your same skills.

Second limitation: you must keep records, and keep them in a format the IRS wants them in. You have an advantage here, too. The record keeping you'll do right in the process of our career advising program will satisfy the IRS's reporting requirements -- with one exception: the auto mileage log. Read all about the log later (below).

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Third, this deduction always covers expenses directly applicable to a job search: résumé, travel to interviews, career consulting fees, postage, etc. You can also deduct the portion of your phone bill, your internet access, etc., that is applicable to the job/career move.

TAXES: MAKING THE DOLLARS APPEAR

To make an approximate calculation of the tax refund you'll get, let's estimate the travel and other expenses involved in a job and career search. Then I'll use those estimates with two fictional people. I'll enter these folks' income tax data into TurboTax, and let it compute the refund they'll get in three scenarios:

- Scenario 1) no job search deductions;
- Scenario 2) basic job search deductions, and
- Scenario 3) job search using a career coach.

Average Job Search Expenses: Travel	Average Job Search Expenses: Miscellaneous	Job Search Expenses: Career Coaching Services
<p>Let's say a job search has 30 exploratory/networking interviews at a modest 12.5 miles distance one way (25 miles round trip). In addition, there are six first-round job interviews with four second-round interviews. This adds up to 40 interviews at 25 miles each, or 1000 miles.</p> <p>As of January, 2008, the IRS reimbursement rate for travel is 50.5¢ a mile. [Updates on that rate are at www.govexec.com: "Per Diem and Travel."]</p> <p>Add parking, tolls, and a couple bucks for the shoe-shine fellow on the way to your interview, (get a receipt!), and it adds up. You've got yourself about...</p>	<p>Then you've got resume printing, letters, postage, internet access, job posting site fees, subscriptions to special trade magazines, several lunches and dinners while on job search. Printer ink cartridges, perhaps part of a computer / printer upgrade, paper, phone expenses, FedEx deliveries, networking dinners, meetings, social networking-events, pens, calculator, and other office expenses.</p> <p>Don't forget dues to relevant associations, job hunting books, motivational tapes and Anthony Robbins' Fire Walking seminar. Plus, anything else you can justify as a job search expense. We'll estimate that as...</p>	<p>A comprehensive coaching package where your advisor will stay right with you through thick and thin all the way to your new job, promotion, or your own business.</p> <p>Some outplacement or career advising companies will work with you and bill you per hour. That discourages proper use of coaching because every phone call is another financial decision and hourly rates are high.</p> <p>Others offer an "all inclusive" package. Over the duration of a job search, a package is less expensive. Either way, that investment runs \$3,000 to \$10,000. For purposes of illustration, we estimate it as...</p>
<p>\$500 Travel Expenses.</p>	<p>\$1,000 Job Search Expenses.</p>	<p>\$4,500 Career Coaching Services.</p>

SAMPLE TAX RETURNS WITH TAX SAVINGS CALCULATIONS

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To show the actual savings possible, I have created two sample taxpayers and I ran the following 6 scenarios through TurboTax. For accuracy sake, of if your accountant needs to see the actual 2006 1040 tax forms, I can show you how to get those.

Note about deductions: when filing your taxes, you either “itemize” deductions or you don’t.

--You *don’t* itemize, when you think your deductions are *less* than \$3600 – the automatic deduction everybody gets.

--YOU *do* itemize when you think your deductions add up to *more* than \$3600. You take advantage of that larger deduction by listing each item, (i.e. “itemizing” them) on a form called appropriately, <Schedule A: Itemized Deductions>.

Here are two sample people who represent those two types of taxpayers: those who itemize and those who don’t. They both qualify for a job search deduction.

- Taxpayer #1: \$50,000 income who is a home *renter*.
- Taxpayer #2: \$75,000 income, home *owner* with \$15,000 in mortgage interest payments, and \$5,000 in property taxes.

Your actual real life rebate amount will vary according to your own tax situation, but my two fictional samples will give you a good idea how much your Uncle Sam would love to pay you if it advances your career. [Chart too much info for you? Just read bottom line “IRS Subsidy.”]

Seven Scenarios with Actual Calculated Tax Refund

Taxpayer & Scenario	Scene 1 Txyper #1	Scene 2 Txyper #1	Scene 3 Txyper #1	Scene 4 Txyper #2	Scene 5 Txyper #2	Scene 6 Txyper #2	Scene 7 Txyper #2
Job Search and Career Advising Choices:	No Job Search	Job Search only	Job Search +Career Advising	Job Search only	Job Search only	Job Search +Career Advising	Qualified for 100% deduction
Rent/Own Home	Rent	Rent	Rent	Own	Own	Own	Own
Gross Income	\$50,000	\$50,000	\$50,000	\$75,000	\$75,000	\$75,000	\$75,000
JobSrch Expenses	\$0	\$1500	\$1500	\$0	\$1500	\$1500	\$1500
Career Advising \$	\$0	\$0	\$4500	\$0	\$0	\$4500	\$4500
Tax Withholding	\$7,256	\$7,256	\$7,256	\$10,000	\$10,000	\$10,000	\$10,000
Fed TAX Bill	\$7,500	\$7,500	\$6,769	\$9,269	\$9,269	\$8,144	\$7,669
Fed Tax Refund	\$244	\$244	\$731	\$731	\$731	\$1856	\$2,331
Coaching Subsidy From the IRS	\$0	\$0	\$487	\$0	\$0	\$1125	\$1600

CHART I

The bottom line – literally – shows you that the taxpayer who invests in Career Advising services gets between \$487 and \$1125 tax reduction.

--**Curiosity one:** There is no tax break for job search costs alone. It’s only when you add career

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advising and invest over and above your (2% AGI) basic job search costs that Uncle Sam sends you money.

--Curiosity two: Notice how the homeowner not only got deductions for owning a home, but the *career advising subsidy* was more than twice that of the home renters. Why would you get double for your career just because you own a house? “The rich get richer...” as they say.

--Curiosity three: Note scenario #7, 100% deductibility brought in a whopping \$1600 from Uncle Sam. How do you get 100% deductible? There is a special tax strategy that can be used by most, though not all, of our clients. It will allow you to deduct not only 100% of the direct costs of your job and career search, and deduct our coaching, but many indirect costs, too. You’re welcome to discuss this with us. Not everyone qualifies. If you do qualify, you will need special information about how to structure your search, and generally it is not applicable if your main job search efforts are in the “published” market; you’ll need to approach the unpublished market, too.

If you qualify for the 100%, we’ll get you the “Consultant Is In” sheet and documentation instructions. You can check with your accountant to make sure that your particular financial situation fits, and see if there’s any further documentation you need to be in full compliance with the tax code.

HOW TO MAKE DOCUMENTATION EASY

Our booklet *Twelve Biggest Mistakes Job Hunters and Career Changers Make and How to Avoid Them* explains a very simple system for job search expense documentation. Read “Mistake #13: Not Letting the IRS Pay for Job and Career Coaching.” Check it out. [Some versions of this report have the documentation portion of Mistake #13 in the appendix.]

YOUR NUMBERS

A quick calculation will tell you roughly your numbers. Estimate it for yourself with three scenarios: No Coaching, Coaching, and Coaching with 100% deductibility.

(Job Search Expenses no Coaching -minus- 2% of year’s taxable income) * 28% = _____

(Job Search Expenses including coaching -minus- 2% year’s taxable income) * 28% = _____

(Job Search Expenses including coaching, 100% deductibility) * 28% = _____

A TAXATION PERSPECTIVE

Just a sobering word. In case you’re ready to get all weepy-eyed choked up over the great generosity of the government through the Income Tax Code, consider this. Uncle Sam is no dummy; he’s a shrewd investor himself. This may not all be largesse on his part.

Why do you suppose he’s so eager to help you get re-employed? Could it be that when you’re out of work, he’s not making any money off you? If you earn at the \$75,000 a year level, the

government loses about \$1000 every month you're unemployed. So, when the tax break pays for career coaching and gets you to [better paying] work 8 weeks sooner, Uncle Sam will get that \$1000 tax break covered and he'll collect another grand to boot!

That could explain why, if you're...

--*unemployed*, he'll levy his full share of income taxes on any severance pay you get, but he won't tax your outplacement benefits if that's part of your package. If you're...

--*underemployed*, he won't tax money you spend on training to get ahead in your current career (including some school programs see MBA article, below) and because the more money you make, the more money he makes. And if you're...

--*self-employed*, he's especially fond of helping you succeed in your own business because not only will he get taxes from your income, but when you hire some help, he'll get taxes from theirs, too!

So, just in case you had any silly ideas about not taking a "handout" from the government – rest assured, Uncle Sam never went broke giving tax breaks for job and career coaching.

PRACTICAL DETAILS RELATED TO THIS TAX BREAK.

We have four practical details related to this tax deduction: cash flow, timing, mileage log, and qualifying expenses.

ONE: Cash flow. Can I get the cash sooner?

Unfortunately, Uncle Sam will only pay you *next year* for expenses you incurred *this year*. So, while this is not cash on the barrelhead, it definitely is something you can count on. There are companies that will give you a loan against your tax refund, but the fees and rates are very unfavorable, and we wouldn't recommend it.

TWO: Timing

The more you can put all your expenses in *one* calendar year, the better your deduction. Uncle Sam pays you *next year* for expenses you incurred *this year*, however he'll apply the 2%AGI rule *each* year. If you need help finding a way to deduct your coaching costs all this current year without having to make a big upfront payment, talk to us; there are ways. (Exception to double deductible rule: If we can make you qualified for the 100% deductibility solution, (above) you won't be subject to the 2% AGI anyway, so it won't be any advantage to accrue the expenses all in one year.)

THREE: Mileage Log

IRS's favorite "Gotcha." If you make general notes in your day timer with the approximate miles driven to an interview or networking event – that's not enough! The mileage log is a potential weak spot that the IRS will take advantage of if possible. Remember, a tax deduction is no good if you don't have documentation that meets IRS's standards. If you are going to claim your driving mileage expenses, you must have a log that contains 1) the beginning odometer reading; 2) the ending odometer reading; 3) the date of the trip; 4) the job search purpose of the trip, and this must be written down *within 48 hours of the trip*.

Again, our booklet *Twelve Biggest Mistakes Job Hunters and Career Changers Make and How to Avoid Them* explains a very simple system for a mileage log. Check it out.

FOUR: Qualifying Expenses.

With some rare exceptions, career coaching and job search training – the way we have you do it -- always qualifies as a career advancement expense. As mentioned previously, our Success Factor Analysis process will provide a strong foundation for the continuity of your career advancement vs. a career “change.” If you use a *completely* different skill set, if you are a teacher and you take a course in massage therapy, for instance, to one day become a massage therapist, that is not deductible. But career changing is becoming less and less of an issue. In my 28 years’ coaching, I have not had one client who had this deduction challenged.

Here’s how it’s applying, currently, to MBAs. Career MBAs used to be denied because it had been ruled that it prepared you for a different job, rather than helping you advance in your present one. But, I quote from an article by Jane J. Kim from The Wall Street Journal Online, October 2005.

People who pursue a master's degree in business administration are allowed under Internal Revenue Service rules to deduct as a business expense school-related costs, which can exceed \$40,000 a year at top-tier institutions. But in recent years, the IRS has increasingly challenged these deductions.

Now, there may be a glimmer of hope. Last week, the U.S. Tax Court ruled in favor of one petitioner's ability to deduct his M.B.A. expenses. Tax experts say the decision could be used as a precedent for other courts and taxpayers to follow. "After all we've seen in the past couple of years, [this case] seems to swing the pendulum back a little bit," says Robert Willens, a tax and accounting expert at Lehman Brothers Holdings Inc.

I hope this helps you accept the financial aid Uncle Sam will give you to invest in yourself with career coaching.

I’ve summarized, below, the financial assistance show in the Two Taxpayers examples in this report. I also have actual tax preparation documents available which were generated by TurboTax for each of the taxpayers and their job search scenarios. I also hope this will take this financial help out of the imaginary hocus pocus of tax-withholding land and make it a very tangible dollars-in-your-pocket reality.

Sincerely,
Jack Chapman

CHART II: Summary of Career Coaching Tax Refunds & Test your Understanding

Annual Income	Job Search Expenses \$\$s	Career Coaching \$4500 Investment \$\$s	Career Coaching Tax Refund	Net Cost of Career Coaching
\$50,000	\$0	\$0	\$0	
\$50,000	\$1,500	\$0	\$0	
\$50,000	\$1,500	\$4,500	\$487	\$4,013
\$50,000	\$1,500	\$4500 100% Strategy	More than \$1,600	\$2540
\$75,000	\$0	\$0	\$0	
\$75,000	\$1,500	\$0	\$0	
\$75,000	\$1,500	\$4,500	\$1,125	\$3,375
\$75,000	\$1,500	\$4,500 100% Strategy:	More than \$1,600 Fed + \$360 State [IL]	\$2,540

1. Taxes feel “invisible” because of what requirement? _____
2. A \$1000 tax deduction means that a \$5,000 tax bill gets reduced to \$4000. True or False?
3. A \$1000 tax deduction means that your taxes owed on \$10,000 of income gets reduced to taxes owed on only \$9000 of income. True or False.
4. IRS normally only lets you deduct job search expenses that exceed 2% of your adjusted gross income. True or False?
5. Tax deductions aren’t “real” money; they are just an accounting procedure. True or False?
6. Tax deductions show up as real spendable cash when you A--pay a [lower] tax bill, or B--get a [larger] refund. True or False?
7. What is the limitation on this deduction in terms of the type of job you pursue?
8. What’s the limitation on this deduction in terms of proof? _____
9. You can deduct the full cost of goods and services related directly related to a job search, but can you deduct the *portion* of an expense – like percent of internet service payment – that applies to job/career search? Yes or No? _____
10. How does Uncle Sam make money by giving these tax breaks? _____
11. Commonly, you can deduct only expenses that exceed 2% of you're A.G.I. True or False?
12. For a full 100% [and more] deduction, you’ll use the C _____ A _____

Excerpt from Twelve Biggest Mistakes Job Hunters and Career Changers Make and How to Avoid Them, Mistake #13.

Receipt by Receipt Method and You'll Be Audit Proof

The two things you must collect to be “audit proof” are: expense tracking and a mileage log. Sounds like a bother, eh? Well, properly used, receipts will do both things at once. They'll document both the amount, date, and also the job-search related purpose for your expenses. Note: credit card *statements* are not enough! You need actual receipts and you must record the purpose/relationship to your job search *within 24 hours of the expense*.

Want to make it virtually effortless?

Make it no-brainer simple this way: whenever you spend money related to your job search, get a receipt, pull out a pen, and *right then and there*, at the point of purchase, write on the back of the receipt what it was for. When you put your credit card or your change back in your wallet, put the *annotated-on-the-back receipt in there*, too.

If you spent money for a meeting, you need to also write the name of the person and a brief description of the job-search related activity, such as: “Job interview, Johnson, ABC Corp,” “Referral Networking, John Doe,” “Alumni Meeting: Doug, Bill, Jill, Jane,” “Meeting w/Career Coach,” “Lunch meeting; John Smith; referrals,” etc. Again, do that at the point of purchase—it will take no measurable extra time at all.

Later, at home, occasionally dump your annotated receipts into a box or envelope. Think to yourself “28% Cha-ching!” I.e. when you put in a bunch of receipts and you guess there's, say, \$125 worth of expenses, think, “Ahhh, cha-ching! \$35 back from my friends at the IRS!” (28% of \$125 = \$35) *Voila! It takes very little effort and no extra time.* TIP: Keep the receipts in a cool dry place because many receipts are on thermal paper and will fade in the heat.

IRS's favorite “Gotcha”: The Mileage Log

If you make general notes in your appointment calendar with the approximate miles driven to an interview or networking event—that's not enough! The mileage log is a potential soft spot that the IRS will take advantage of if possible.

Simple Way to Keep a Log

Remember, a tax deduction is no good unless you have documentation that meets IRS's standards. If you are going to claim driving mileage expenses, you must have a log that contains the following information, and this information must be written down within 48 hours of completion of the trip to include: Beginning odometer; Ending odometer; Date; Job Search Purpose. Simple method: keep a pen and note-book in the glove compartment. Each job-search related trip write down the starting odometer, the purpose of the trip, and the ending odometer. As you do, think, “Ahhh, 50.5¢ a mile refund from Uncle Sam. He just bought my gas!” [This fluctuates. <http://www.biztaxadvisor.com/IRS-mileage-rate.html> will have up to date information. 2006 rate; 50.5¢/mile; 2008 rate: 50.5¢/mile]

On April 15th, just add up the box of receipts, calculate your miles, take the deduction, and *collect your refund!*

Final Exhortation—Don't Throw Away Tax Dollars

You can tell, I'm sure, that I'm in favor of career coaching and eager to make Uncle Sam help you make it an even better investment. I hope this booklet itself has been a good positive experience in career coaching.

- Have you learned something valuable here?
- Have you learned a way to make or save some money?
- Did the "Friends at the IRS" put money in your pocket?

Hopefully, then, you have profited already just from reading this booklet.

This booklet is an example of career coaching. It gets you thinking outside the "vacancies & openings" nine dots. If this has been helpful, remember there's more where that came from. I encourage you to investigate real, live career coaching.

Along with helping you avoid twelve costly mistakes, this book is supposed to help you understand how risky it is to do job/career search alone. Learning by "trial and error" is expensive! "Trial and success" is better. A coach can help you do that, and the exciting part is that it's FREE (i.e. it pays for itself and is tax deductible to boot.)

Best of Success to You in All Your Career Endeavors

I sincerely hope the *Twelve Biggest Mistakes Job Hunters and Career Changers Make and How to Avoid Them* has enriched your life and helped you achieve more career satisfaction and success. May you have a satisfying and prosperous career!

Sincerely,
Jack Chapman, jkchapman@aol.com