

Q&A WITH JOSHUA JENSON

**LAI-D-OFF WORKERS
FACE TAX ISSUES**

For those laid off in 2008, tax season can be especially brutal. It is important for individuals to understand the tax implications of unemployment. According to Joshua Jenson, a certified public accountant with the Oklahoma Society of CPAs, there are several things an unemployed person should keep in mind when filing taxes this year:



Joshua Jenson
Certified public
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Society of CPAs

Q: Can I prepare my taxes myself if I am unemployed?

A: It's advisable to seek help from a seasoned professional. Navigating the deductions of the Consolidated Omnibus Budget Reconciliation Act (COBRA), severance pay, medical expenses, special retirement withdrawals and other issues relating to becoming unemployed can prove difficult when filing.

Q: Can expenses relating to a job search be considered tax deductible?

A: Some job search expenses are tax deductible. For job search expenses, a person must be looking for employment in the same trade or business in which they were previously engaged. In some cases, the cost of resumes, job counseling, referral fees and travel expenses can be tax deductible.

Q: Are funds taken out of a 401(k) considered taxable?

A: Yes, funds taken out of a 401(k) to replace lost income is taxable, and it may be subject to early withdrawal taxes.

Q: Is severance pay taxed?

A: Severance pay is taxable and subject to federal income tax withholding, although some elements of a severance package may be specially treated, such as job replacement assistance, parachute payments or certain stock acquired by way of an incentive stock option (ISO). It's important to discuss these details with your tax professional. You can go to KnowWhatCounts.org for financial tips.

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