Tax Memo – Have “Unreimbursed Business Expenses?”, Ask For A Raise Immediately

Many employees pay for business related expenses that their employer does NOT reimburse. These are called **Unreimbursed Business Expenses** and they are taken as a deduction on Schedule A, Itemized Deductions, using Form 2106.

Here is a general list of Unreimbursed Business Expenses

Business bad debt of an employee.
Business liability insurance premiums.
Damages paid to a former employer for breach of an employment contract.
Depreciation on a computer your employer requires you to use in your work.
Dues to a chamber of commerce if membership helps you do your job.
Dues to professional societies.
Educator expenses.
Home office or part of your home used regularly and exclusively in your work.
Job search expenses in your present occupation.
Laboratory breakage fees.
Legal fees related to your job.
Licenses and regulatory fees.
Malpractice insurance premiums.
Medical examinations required by an employer.
Occupational taxes.
Passport for a business trip.
Repayment of an income aid payment received under an employer’s plan.
Research expenses of a college professor.
Rural mail carriers’ vehicle expenses.
Subscriptions to professional journals and trade magazines related to your work.
Tools and supplies used in your work.

Travel, transportation, meals, entertainment, gifts, and local lodging related to your work.
Union dues and expenses.
Work clothes and uniforms if required and not suitable for everyday use.
Work-related education.

For example, many employees use their car for business purposes, but they are not reimbursed by their employer. Many employees also maintain home offices, and have many other varied expenses: Postage, office, supplies, internet, cell phone, etc.

The Trump Tax Plan, starting in 2018, will **ELIMINATE** these deductions for employees, thus **dramatically increasing** taxable income for them.

How does this work? Simple. Let's say you are a salesperson earning a salary of $100,000. This salesperson must pay for their own expenses such as automobile. In our example this salesperson travels 20,000 per year for business. Under the current law, that mileage could bring approximately $11,000 in tax deductions, thus reducing taxable income to $89,000.

Now, that deduction is eliminated and so that salesperson now pays tax on the full $100,000. This is a tremendous tax increase! At an effective tax rate of 30%, that means a tax increase of $3,300!

If this salesperson's gross salary does NOT increase, they will be taking a huge **cut in pay** in the form of higher taxes.

That is why, if you have formerly had **Unreimbursed Business Expenses**, you need to demand a raise in your salary enough to make you whole from an after-tax perspective. These calculations can be difficult, but that is why we are here.

If you fear this situation applies to you, please reach out to me so I can help you calculate how this will impact your specific tax situation, and to develop a strategy to approach your employer to ask for that raise.

If your request for a raise falls on deaf ears, it may be time for you to form your own company and become a subcontractor.

That way you can take all of your business related expenses against your gross income. Of course we can guide you through the entire company formation and registration process.