

Tax Tip
Week of August 3, 2009

Legal Fees for Wrongful Dismissal

If an employee successfully sues for wrongful dismissal against a former employer, the tax rules for the legal fees are as follows:

- if the employee is unsuccessful, the legal fees are not deductible
- if the employee is successful, legal fees are deductible up to the amount of damages received from the employer

This seems harsh, but it is another factor to be considered when one is considering a law suit against a former employer.