

PRACTICE AID O503

Deductible and Nondeductible Miscellaneous Itemized Deductions^a

This checklist lists some of the more common miscellaneous itemized deductions and indicates whether they are subject to the 2% AGI limitation. See Key Issues 28C–28H for a more detailed discussion of specific miscellaneous deductions.

Deductible Miscellaneous Expenses Not Subject to the 2% of AGI Floor

Federal estate tax on income in respect of a decedent (IRD). (See Key Issue 28E.)	Premium amortization on bonds purchased before 10/23/86. (See Key Issue 4D.)
Unrecovered investment in a qualified retirement plan or annuity. (See Key Issue 5E.)	Gambling losses to the extent of gambling winnings. (See Key Issue 28G.)
Repayments under a claim of right when repayments exceed \$3,000 and credit is not claimed. (See Key Issue 28H.)	Deduction allowable in connection with property used in a short sale.
Impairment-related work expenses of a disabled person.	

Deductible Miscellaneous Expenses Subject to the 2% of AGI Floor (These items are not deductible for AMT purposes.)

Appraisal fees for casualty losses or charitable contributions.	Custodial fees in connection with property held for producing income.
Tax preparation and advice fees that are not allocable to Schedule C, E, or F.	Employee business expenses, including travel and entertainment [after application of the 50% disallowance rule for meals and entertainment (see Key Issue 28C)].
Dues to unions or work-related professional societies.	Fees to collect interest and dividends.
Safe-deposit box rental if used for investments.	College professor's research expenses (including travel) if directly related to teaching field.
Employment-related education. (See Key Issue 28D.)	Investment advice and management fees. IRA and Keogh trustee administrative fees (if billed separately).
Certain legal fees (e.g., those incurred in employment, for tax advice, or to recover unpaid alimony).	Costs of looking for a new job (including fees paid to employment agencies and resume printing and mailing costs). (See Key Issue 28B.)
Clerical help and office rent to allow taxpayer to care for investments (including the depreciation of a computer).	Travel expenses in connection with the management of investments.
Employee's malpractice insurance premiums.	Hobby expenses, but generally not more than hobby income. The hobby income limitation is applied <i>before</i> the 2% rule. (See Key Issue 8A.)
Medical examinations required by employer.	Liquidated damages paid to former employer for breach of employment contract.
Occupational taxes and license fees related to employee's work.	Employee's work clothes and uniforms if required and not suitable for everyday use.
Small tools and supplies used in the taxpayer's work as an employee.	Business bad debt expense related to the business of being an employee. (See Key Issue 21A.)
Subscriptions to professional journals and trade magazines related to employee's work.	Losses on IRC Sec. 529 Plans. (See Key Issue 28H.)
Expenses incurred for management of undeveloped land and other property held for appreciation.	
IRA losses. (See Key Issue 28H.)	

Nondeductible Expenses

Adoption expenses. (See Key Issue 35B for credit information.)	Commuting expenses (some exceptions for travel to temporary locations and taxpayers who have two jobs). (See Key Issue 12G.)
Burial or funeral expenses.	Fees and licenses, such as drivers licenses, marriage licenses, and dog tags.
Campaign expenses.	Hobby expenses in excess of income. (See Key Issue 8A.)
Dues paid to airline, hotel, and luncheon clubs.	Self-improvement seminar expenses.
Fines and penalties, such as parking tickets and tax penalties.	Education expenses if education is to obtain training that will qualify taxpayer for a new occupation. (See Key Issue 28D.)
Home repairs, insurance, and rent if not related to business use of a portion of the home.	Expenses related to tax-exempt income (e.g., investment advice on tax-exempt bonds). (See Key Issue 28F.)
Life insurance premiums.	Costs to attend shareholders' meetings (except in special circumstances such as proxy fights).
Loss from the sale of a personal residence or personal car.	Check-writing fees for personal accounts (even if the account pays interest).
Meals while working late.	Professional accreditation fees (i.e., bar exam fees, initial licensing fees paid by accountants, doctors, dentists, etc.).
Personal legal expenses (e.g., for a divorce).	Illegal bribes and kickbacks.
Personal living expenses.	Investment seminars.
Political contributions and gifts to influence legislation.	
Capitalizable expenses (e.g., stockbroker commissions).	
Telephone usage fees for base rate of first residential line.	

Note:

- These lists are not all-inclusive.