

# ITEMIZED DEDUCTIONS

## **MEDICAL AND DENTAL EXPENSES**

*Medical expenses are deductible only if your out-of-pocket expenses exceed 10% of your adjusted gross income (AGI) unless you are age 65 or older. The threshold for these taxpayers is 7.5% of AGI through December 31, 2016.*

Medical expenses are the costs of diagnosis, cure, treatment, or prevention of a physical or mental illness, disease, or defect. Medical expenses are deductible in the year paid, regardless of when the services were provided. Only amounts paid out-of-pocket with after tax dollars are deductible.

The following items are among those generally deductible as medical expenses:

- Alcohol and drug treatment, including inpatient care
- Ambulance services
- Dental care including cleaning, orthodontia, oral surgery, and dentures
- Education expenses of a physically or mentally impaired individual if the school provides special education for a diagnosed medical condition
- Exercise or weight loss program prescribed by doctor for a specific medical condition
- Eyeglasses, contact lenses and supplies, and laser eye surgery
- Home improvements and specialized equipment if the main purpose is to provide a medical benefit such as ramps and railings or special telephone equipment for hearing impaired
- Hospitalization and medical treatments
- Insurance premiums for medical and dental care (*including Medicare*)
- Laboratory tests, X-rays, and diagnostics
- Long term care insurance (*with limits*) and long term care expenses
- Medical equipment and supplies including needles, crutches, bandages, oxygen equipment, prosthetic limbs, wheelchairs, hearing aids and batteries, and guide dogs
- Nursing home care and in-home nursing care
- Prescription medicine and drugs, including insulin
- Services provided by medical professionals including doctors, surgeons, psychiatrists, physical therapists, eye doctors, chiropractors, acupuncturists, etc.
- Smoking cessation programs, with prescription. *Drugs that do not require a prescription are not deductible.*
- Transportation expenses to obtain medical care including, mileage, parking, tolls, and hotel expenses for overnight stays (per diem limits apply for overnight stays)

### Non-Deductible Expenses

- Cosmetic surgery except to correct a deformity due to accident, disease or congenital defect
- Funeral expenses
- Health club dues
- Over-the-counter medicines, medicine purchased from another country, Medical marijuana
- Teeth whitening
- Vitamins and nutritional supplements unless prescribed by a medical professional

## **TAXES YOU PAID**

- State income taxes withheld and/or paid
- Additional tax paid on prior year state return
- State taxes paid on an amended return
- Estimated state taxes paid
- Personal property taxes
- Local income taxes
- Real estate taxes on personal residence, co-op or condo, second home, and all real property owned *(not limited to residence and second home)*
- Real estate taxes are typically allocated when you buy or sell a home *(See your tax professional)*
- Foreign income taxes *(The Foreign tax credit may be more beneficial.)*
- Auto license fees, tax portion based on auto value
- Sales tax in lieu of state income taxes *(Optional in 2013. expires December 31, 2013)*

*Non-deductible taxes include: interest and penalties on late paid taxes, federal income and excise taxes, federal estate and gift taxes, custom duties, fines and penalties for violation of the law, license fees, Social Security & Medicare taxes.*

## **INTEREST YOU PAID**

- Home mortgage interest and points paid to acquire or improve a primary residence and second home (referred to as Acquisition Debt). Acquisition debt is limited to \$1million (\$500,000 if MFS) for determining qualified residence interest. In addition, interest on a maximum of \$100,000 of home equity debt may also be deductible. Home equity debt is debt secured by the home that exceeds acquisition debt.
- Origination fees or points paid to purchase a home or refinance a loan *(Note: Refinanced points may need to be amortized.)*
- Investment interest to extent of investment income

## **GIFTS TO CHARITY**

Cash and Non-Cash Contributions to:

- Religious Organizations such as churches and synagogues
- Federal, state and local governments
- Nonprofit schools and hospitals
- Public parks and recreation facilities
- Public Charities such as United Way, Salvation Army, Red Cross, Boy and Girl Scouts, etc.
- War veterans' groups
- Other qualified charitable organizations

*Note: Not all "non-profits" qualify. Go to [www.IRS.gov/charities](http://www.IRS.gov/charities) for a list of qualifying charities.*

Deductions for charitable contributions also include:

- Charitable travel miles for charitable organizations or volunteer work (14¢ per mile)
- Charity-sponsored conventions
- Exchange student *(transportation and incidentals)* up to \$50 per month
- Supporting a foster child *(expenses exceeding payments)*
- Tickets & merchandise purchased - excess of cost over fair market value
- Volunteer out-of-pocket expenses

*Note: Your time is not deductible.*

## **CASUALTY AND THEFT LOSSES**

Non-business losses must be unreimbursed and exceed 10% of your adjusted gross income plus \$100. Business losses are fully deductible on the Casualties and Thefts form.

## **JOB EXPENSES AND OTHER MISCELLANEOUS DEDUCTIONS**

*Miscellaneous expenses are deductible if the expenses exceed 2% of your adjusted gross income.*

### Unreimbursed Employee Expenses:

- Employer required medical examination
- Gifts (*business related under \$25 each person*)
- Job related education expenses
- Job search expenses
- Lodging and meals if away from home overnight (*check per diem rates*)
- Membership dues to professional societies
- Occupational taxes and fees
- Office-in-home expense, if required and for the convenience of the employer
- Other employer authorized business expenses
- Passport fees for a business trip
- Professional and union dues
- Professional liability insurance
- Required travel & auto mileage for job
- Small tools, equipment and supplies
- Special work clothes and uniforms
- Subscriptions to professional journals
- Telephone calls & beepers the job requires
- Travel between work locations

### Other Miscellaneous Expenses:

- Appraisal fees to establish tax deduction for charitable contributions
- Cost of special proxy fights
- Financial publications and programs
- Hobby expenses to extent of hobby income
- Investment counsel
- Investment expenses & broker fees
- IRA trustee's administrative fees billed and paid separately
- Legal fees for collecting or producing taxable income (*including alimony and tax planning*)
- Management of undeveloped property held for profits
- Repayment of previously taxed income of \$3,000 or less
- Safe deposit box
- Tax counsel, preparation and audit
- Travel to investment broker or manager
- Trust administration fees
- Loss on deposits in an insolvent financial institution

## **MISCELLANEOUS DEDUCTIONS** not subject to 2% limitation

- Amortization of bond premium (*Bond issued before 10/123/J 9R6*)
- Federal estate tax on income of a decedent
- Gambling losses (*to the extent of winnings*)
- Jury pay given to employer (*if already included in income*)
- Repayment of previously taxed income over \$3,000.
- Unrecovered investment in annuity on decedent's final return.
- Work related expenses of a disabled individual (*Medical expense related*)

### Non-Deductible Expenses

- Expenses to produce tax exempt income
- Loss from sale of personal residence
- Political contributions
- Gambling losses in excess of gambling winnings
- Hobby losses in excess of hobby income
- Legal fees for wills and estate planning