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must be ordinary (common and accepted in an industry), and necessary ...

Jan. 15, 2020



In our very long and complex tax code, tax deductions come in all shapes and sizes, and have a lot of sticky rules attached to them. For example, **business expenses** must be ordinary (common and accepted in an industry) and necessary (helpful and appropriate for the trade or business) to be deductible. If your clients itemize deductions, they can deduct **medical expenses** paid for themselves, spouses and dependents to the extent they exceed 7.5% of adjusted gross income. Under the **Tax**

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- **Alcoholism Treatment:** Amounts paid for inpatient treatment at a therapeutic center for alcohol addiction, including meals and lodging provided by the center during treatment.
- **Fertility Enhancement:** The cost of the following procedures to overcome an inability to have children:
 - In vitro fertilization, including temporary storage of eggs or sperm.
 - Surgery, including an operation to reverse prior surgery that prevented you from having children.
- **Guide Dog and Service Animals:** The cost of buying, training and maintaining a guide dog or other service animal to help a person who is visually impaired, hearing disabled or has another physical disability. Expenses include food, grooming and veterinary care to maintain the health of the animal so it can perform its duties.
- **Stop Smoking Programs:** However, you cannot include amounts paid for drugs that don't require a prescription, such as nicotine gum or patches.

Not Deductible

- **Weight Loss Programs:** You're not allowed to deduct the cost of a weight loss program if the purpose is the improvement of appearance, general health or sense of well-being. However, you can deduct the expenses if the weight loss treatment is for a specific disease diagnosed by a doctor (e.g. obesity, hypertension or heart disease).
- **Nonprescription Drugs and Medicine (except for insulin):** A prescribed drug requires a prescription by a doctor to be deductible.
- **Health Club Dues:** Includes amounts paid to improve your general health. or to relieve your physical or mental discomfort. and is not related to a medical condition.

- **Cosmetic Surgery:** Includes procedures directed at improving one's appearance

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- **Gambling Losses to the Extent of Gambling Winnings:** Gambling losses include wagers plus expenses incurred in connection with the conduct of a gambling activity, such as travel.
- **Casualty and Theft Losses on Income-Producing Property:** Investment property includes stocks, notes, bonds, gold, silver, vacant lots and works of art.
- **Federal Estate Tax on Income in Respect of a Decedent:** This is gross income the decedent would have received if the death didn't happen and was not properly included on the decedent's final tax return.
- **Fines and Penalties:** In general, fines and penalties paid to a government or specified non-government entity for the violation of any law are disallowed, except for the following situations:
 - Amounts paid for restitution.
 - Amounts paid to come into compliance with the law.
 - Taxes due.
 - Certain court orders where no government agency is a party.
- **Home Office:** You can take a home office deduction if you use part of your home regularly and exclusively for business purposes.
- **Club Dues:** The following organizations are not treated as clubs organized for business, pleasure, recreation or social purpose (unless one of the main purposes is for entertainment):
 - Boards of trade
 - Business leagues
 - Chambers of commerce
 - Civic or public service organizations
 - Professional organizations
 - Real estate boards
 - Trade associations

- **Losses from Ponzi-Type Investment Schemes:** Deductible as theft losses from

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- Qualified performing artist
- Fee-basis state or local government official
- Employee with impairment-related work expenses
- **Campaign Expenses:** This applies to a candidate for any office and includes qualification and registration fees and legal fees.
- **Commuting Expenses:** The transportation cost going from your home to your main or regular place of work is not deductible. However, there is an exception is for Armed Forces reservists, qualified performing artists, fee-basis government officials and employees with impairment-related work expenses. They can deduct the additional cost of hauling tools, instruments, or other items in their car to and from work.
- **Fines and Penalties:**
 - Amounts paid to settle your actual or potential liability for a fine or penalty (civil or criminal).
 - Parking tickets and tax penalties.
 - Restitution paid to come into compliance with the law (unless the amounts are specifically identified in the settlement agreement or court order).
 - Reimbursement to the government for the cost of an investigation or litigation.
- **Lobbying Expenses:**
 - Influence legislation.
 - Participate or intervene in any political campaign for or against any candidate for public office.
 - Attempt to influence the general public about elections and legislative affairs.
 - Communicate directly with executive branch officials to try to influence official actions.
- **Club Dues:** This includes the membership in any club organized for business, pleasure, recreation or social purpose. Examples include athletic, luncheon, sporting, airline, hotel and country club.

- **Political Contributions:**

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practice and bolster your role as a trusted advisor. Your clients will be delighted for every tax dollar saved!

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