

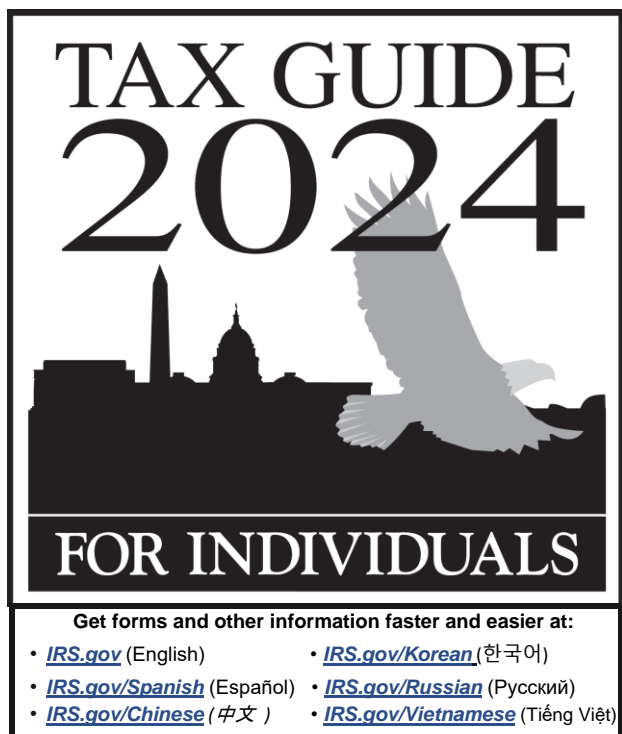
Publication 17

Your Federal Income Tax

For use in preparing

2024 Returns

Volume 11 of 14



This page is intentionally left blank

11.

Taxes

Reminders

Limitation on deduction for state and local taxes. The Tax Cuts and Jobs Act provided for a temporary limitation on the deduction for state and local taxes. See *Limitation on deduction for state and local taxes*, later.

No deduction for foreign taxes paid for real estate. You can no longer deduct foreign taxes you paid on real estate.

Introduction

This chapter discusses which taxes you can deduct if you itemize deductions on Schedule A (Form 1040). It also explains which taxes you can deduct on other schedules or forms and which taxes you can't deduct.

This chapter covers the following topics.

- Income taxes (federal, state, local, and foreign).
- General sales taxes (state and local).
- Real estate taxes (state, local, and foreign).
- Personal property taxes (state and local).
- Taxes and fees you can't deduct.

Use Table 11-1 as a guide to determine which taxes you can deduct.

The end of the chapter contains a section that explains which forms you use to deduct different types of taxes.

Business taxes. You can deduct certain taxes only if they are ordinary and necessary expenses of your trade or business or of producing income. For information on these taxes, see *Business Expenses* in Chapter 8 of Pub. 334.

State or local taxes. These are taxes imposed by the 50 states, U.S. territories, or any of their political subdivisions (such as a county or city), or by the District of Columbia.

Indian tribal government. An Indian tribal government recognized by the Secretary of the Treasury as performing substantial government functions will be treated as a state for purposes of claiming a deduction for taxes. Income taxes, real estate taxes, and personal property taxes imposed by that Indian tribal government (or by any of its subdivisions that are treated as political subdivisions of a state) are deductible.

General sales taxes. These are taxes imposed at one rate on retail sales of a broad range of classes of items.

Foreign taxes. These are taxes imposed by a foreign country or any of its political subdivisions.

Useful Items

You may want to see:

Publication

- ☐ **502** Medical and Dental Expenses
- ☐ **503** Child and Dependent Care Expenses
- ☐ **504** Divorced or Separated Individuals
- ☐ **514** 514 Foreign Tax Credit for Individuals
- ☐ **525** 525 Taxable and Nontaxable Income
- ☐ **530** 530 Tax Information for Homeowners

Form (and Instructions)

- ☐ **Schedule A (Form 1040)**
Itemized Deductions

- ☐ **Schedule C (Form 1040)**
Profit or Loss From Business (Sole Proprietorship)
- ☐ **Schedule E (Form 1040)**
Supplemental Income and Loss
- ☐ **Schedule F (Form 1040)**
Profit or Loss From Farming
- ☐ **Schedule SE (Form 1040)**
Self-Employment Tax
- ☐ **1116** Foreign Tax Credit

For these and other useful items, go to [IRS.gov/ Forms](https://www.irs.gov/forms).

Tests To Deduct Any Tax

The following two tests must be met for you to deduct any tax.

- The tax must be imposed on you.
- You must pay the tax during your tax year.

The tax must be imposed on you. In general, you can deduct only taxes imposed on you.

Generally, you can deduct property taxes only if you are an owner of the property. If your spouse owns the property and pays the real estate taxes, the taxes are deductible on your spouse's separate return or on your joint return.

You must pay the tax during your tax year. If you are a cash basis taxpayer, you can deduct only those taxes you actually paid during your tax year. If you pay your taxes by check and the check is honored by your financial institution, the day you mail or deliver the check is the date of payment. If you use a pay-by-phone account (such as a credit card or electronic funds withdrawal), the date reported on the statement of the financial institution showing when payment was made is the date of payment. If you contest a tax liability and are a cash basis

taxpayer, you can deduct the tax only in the year you actually pay it (or transfer money or other property to provide for satisfaction of the contested liability). See Pub. 538 for details.

If you use an accrual method of accounting, see Pub. 538 for more information.

Income Taxes

This section discusses the deductibility of state and local income taxes (including employee contributions to state benefit funds) and foreign income taxes.

State and Local Income Taxes

You can deduct state and local income taxes.

Exception. You can't deduct state and local income taxes you pay on income that is exempt from federal income tax, unless the exempt income is interest income. For example, you can't deduct the part of a

state's income tax that is on a cost-of-living allowance exempt from federal income tax.

What To Deduct

Your deduction may be for withheld taxes, estimated tax payments, or other tax payments as follows.

Withheld taxes. You can deduct state and local income taxes withheld from your salary in the year they are withheld. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-B, 1099-DIV, 1099-G, 1099-K, 1099-MISC, 1099-NEC, 1099-OID, and 1099-R may also show state and local income taxes withheld.

Estimated tax payments. You can deduct estimated tax payments you made during the year to a state or local government. However, you must have a reasonable basis for making the estimated tax payments.

Any estimated state or local tax payments that aren't made in good faith at the time of payment aren't deductible.

Example. You made an estimated state income tax payment. However, the estimate of your state tax liability shows that you will get a refund of the full amount of your estimated payment. You had no reasonable basis to believe you had any additional liability for state income taxes and you can't deduct the estimated tax payment.

Refund applied to taxes. You can deduct any part of a refund of prior-year state or local income taxes that you chose to have credited to your 2024 estimated state or local income taxes.

Don't reduce your deduction by either of the following items.

- Any state or local income tax refund (or credit) you expect to receive for 2024.

- Any refund of (or credit for) prior-year state and local income taxes you actually received in 2024.

However, part or all of this refund (or credit) may be taxable. See *Refund (or credit) of state or local income taxes*, later.

Separate federal returns. If you and your spouse file separate state, local, and federal income tax returns, each of you can deduct on your federal return only the amount of your own state and local income tax that you paid during the tax year.

Joint state and local returns. If you and your spouse file joint state and local returns and separate federal returns, each of you can deduct on your separate federal return a part of the state and local income taxes paid during the tax year. You can deduct only the amount of the total taxes that is proportionate to your gross income compared to the combined gross income of you and your spouse. However, you can't deduct more

than the amount you actually paid during the year. You can avoid this calculation if you and your spouse are jointly and individually liable for the full amount of the state and local income taxes. If so, you and your spouse can deduct on your separate federal returns the amount you each actually paid.

Joint federal return. If you file a joint federal return, you can deduct the state and local income taxes both of you paid.

Contributions to state benefit funds. As an employee, you can deduct mandatory contributions to state benefit funds withheld from your wages that provide protection against loss of wages. For example, certain states require employees to make contributions to state funds providing disability or unemployment insurance benefits. Mandatory payments made to the following state benefit funds are deductible as state income taxes on Schedule A (Form 1040), line 5a.

- Alaska Unemployment Compensation Fund.
- California Nonoccupational Disability Benefit Fund.
- New Jersey Nonoccupational Disability Benefit Fund.
- New Jersey Unemployment Compensation Fund.
- New York Nonoccupational Disability Benefit Fund.
- Pennsylvania Unemployment Compensation Fund.
- Rhode Island Temporary Disability Benefit Fund.
- Washington State Supplemental Workmen's Compensation Fund.



Employee contributions to private or voluntary disability plans aren't deductible.

Refund (or credit) of state or local

income taxes. If you receive a refund of (or credit for) state or local income taxes in a year after the year in which you paid them, you may have to include the refund in income on Schedule 1 (Form 1040), line 1, in the year you receive it. This includes refunds resulting from taxes that were overwithheld, applied from a prior-year return, not figured correctly, or figured again because of an amended return. If you didn't itemize your deductions in the previous year, don't include the refund in income. If you deducted the taxes in the previous year, include all or part of the refund on Schedule 1 (Form 1040), line 1, in the year you receive the refund. For a discussion of how much to include, see *Recoveries* in Pub. 525, *Taxable and Nontaxable Income*, for more information.

Foreign Income Taxes

Generally, you can take either a deduction or a credit for income taxes imposed on you by a foreign country or a U.S. territory. However, you can't take a deduction or credit for foreign income taxes paid on income that is exempt from U.S. tax under the foreign earned income exclusion or the foreign housing exclusion. For information on these exclusions, see Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad. For information on the foreign tax credit, see Pub. 514.

State and Local General Sales Taxes

You can elect to deduct state and local general sales taxes, instead of state and local income taxes, as an itemized deduction on Schedule A (Form 1040), line 5a. You can use either your actual expenses or the state and local sales tax tables to figure your sales tax deduction.

Actual expenses. Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) if the tax rate was the same as the general sales tax rate.

Food, clothing, and medical supplies.

Sales taxes on food, clothing, and medical supplies are deductible as a general sales tax even if the tax rate was less than the general sales tax rate.

Motor vehicles. Sales taxes on motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. However, if you paid sales tax on a motor vehicle at a rate higher than the general sales tax, you can deduct only the amount of the tax that you would have paid at the general sales tax rate on that vehicle. Include any state and local general sales taxes paid for a leased motor vehicle. For purposes of this section, motor vehicles include cars, motorcycles, motor homes,

recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles.



If you use the actual expenses method, you must have receipts to show the general sales taxes paid.

Trade or business items. Don't include sales taxes paid on items used in your trade or business on Schedule A (Form 1040). Instead, go to the instructions for the form you are using to report business income and expenses to see if you can deduct these taxes.

Optional sales tax tables. Instead of using your actual expenses, you can figure your state and local general sales tax deduction using the state and local sales tax tables in the Instructions for Schedule A (Form 1040). You may also be able to add the state and local general sales taxes paid on certain specified items.

Your applicable table amount is based on the state where you live, your income, and your family size. Your income is your adjusted gross income plus any nontaxable items such as the following.

- Tax-exempt interest.
- Veterans' benefits.
- Nontaxable combat pay.
- Workers' compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions, excluding rollovers.
- Public assistance payments.

If you lived in different states during the same tax year, you must prorate your applicable table amount for each state based on the days you lived in each state. See the

instructions for Schedule A (Form 1040), line 5a, for details.

State and Local Real Estate Taxes

Deductible real estate taxes are any state and local taxes on real property levied for the general public welfare. You can deduct these taxes only if they are assessed uniformly against all property under the jurisdiction of the taxing authority. The proceeds must be for general community or governmental purposes and not be a payment for a special privilege granted or service rendered to you.

Deductible real estate taxes generally don't include taxes charged for local benefits and improvements that increase the value of the property. They also don't include itemized charges for services (such as trash collection) assessed against specific property or certain people, even if the charge is paid to the taxing authority.

For more information about taxes and charges that aren't deductible, see *Real Estate-Related Items You Can't Deduct*, later.

Tenant-shareholders in a cooperative housing corporation. Generally, if you are a tenant-stockholder in a cooperative housing corporation, you can deduct the amount paid to the corporation that represents your share of the real estate taxes the corporation paid or incurred for your dwelling unit. The corporation should provide you with a statement showing your share of the taxes. For more information, see *Special Rules for Cooperatives* in Pub. 530.

Division of real estate taxes between buyers and sellers. If you bought or sold real estate during the year, the real estate taxes must be divided between the buyer and the seller.

The buyer and the seller must divide the real estate taxes according to the number of days in the real property tax year (the period to which the tax is imposed relates) that each owned the property. The seller is treated as paying the taxes up to, but not including, the date of sale. The buyer is treated as paying the taxes beginning with the date of sale. This applies regardless of the lien dates under local law. Generally, this information is included on the settlement statement provided at the closing.

If you (the seller) can't deduct taxes until they are paid because you use the cash method of accounting, and the buyer of your property is personally liable for the tax, you are considered to have paid your part of the tax at the time of the sale. This lets you deduct the part of the tax to the date of sale even though you didn't actually pay it. However, you must also include the amount of that tax in the selling price of the property.

The buyer must include the same amount in the cost of the property.

You figure your deduction for taxes on each property bought or sold during the real property tax year as follows.

Worksheet 11-1. Figuring Your State and Local Real Estate Tax Deduction



Keep for Your Records

1. Enter the total state and local real estate taxes for the real property tax year _____
2. Enter the number of days in the real property tax year that you owned the property _____
3. Divide line 2 by 365 (for leap years, divide line 2 by 366) . . . _____
4. Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b _____

Note. Repeat steps 1 through 4 for each property you bought or sold during the real property tax year. Your total deduction is the sum of the line 4 amounts for all of the properties.

Real estate taxes for prior years. Don't divide delinquent taxes between the buyer and seller if the taxes are for any real property tax year before the one in which the property is sold. Even if the buyer agrees to pay the delinquent taxes, the buyer can't deduct them. The buyer must add them to the cost of the property. The seller can deduct these taxes paid by the buyer. However, the seller must include them in the selling price.

Examples. The following examples illustrate how real estate taxes are divided between buyer and seller.

Example 1. Porter and Riley White's real property tax year for both their old home and their new home is the calendar year, with payment due August 1. The tax on their old

home, sold on May 7, was \$620. The tax on their new home, bought on May 3, was \$732. Porter and Riley are considered to have paid a proportionate share of the real estate taxes on the old home even though they didn't actually pay them to the taxing authority. On the other hand, they can claim only a proportionate share of the taxes they paid on their new property even though they paid the entire amount.

Porter and Riley owned their old home during the real property tax year for 127 days (January 1 to May 6, the day before the sale). They figure their deduction for taxes on their old home as follows.

Worksheet 11-1. **Figuring Your State and Local Real Estate Tax Deduction — Taxes on Old Home**

1. Enter the total state and local real estate taxes for the real property tax year \$ 620
2. Enter the number of days in the real property tax year that you owned the property 127
3. Divide line 2 by 365 (for leap years, divide line 2 by 366) . . . 0.3470
4. Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b \$ 215

Since the buyers of their old home paid all of the taxes, Porter and Riley also include the \$215 in the selling price of the old home. (The buyers add the \$215 to their cost of the home.)

Porter and Riley owned their new home during the real property tax year for 243 days (May 3 to December 31, including their date of purchase). They figure their deduction for taxes on their new home as follows.

Worksheet 11-1. Figuring Your State and Local Real Estate Tax Deduction — Taxes on New Home

1. Enter the total state and local real estate taxes for the real property tax year \$ 732
2. Enter the number of days in the real property tax year that you owned the property 243
3. Divide line 2 by 365 (for leap years, divide line 2 by 366) . . . 0.6639

4. Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b \$ 486

Since Porter and Riley paid all of the taxes on the new home, they add \$246 (\$732 paid less \$486 deduction) to their cost of the new home. (The sellers add this \$246 to their selling price and deduct the \$246 as a real estate tax.)

Porter and Riley's real estate tax deduction for their old and new homes is the sum of \$215 and \$486, or \$701. They will enter this amount on Schedule A (Form 1040), line 5b.

Example 2. Reese and Quin Brown bought a new home on May 3, 2024. Their real property tax year for the new home is the calendar year. Real estate taxes for 2023 were assessed in their state on January 1, 2024. The taxes became due on May 31, 2024, and October 31, 2024.

The Browns agreed to pay all taxes due after the date of purchase. Real estate taxes for 2023 were \$680. They paid \$340 on May 31, 2024, and \$340 on October 31, 2024. These taxes were for the 2023 real property tax year. The Browns can't deduct them since they didn't own the property until 2024. Instead, they must add \$680 to the cost of their new home.

In January 2025, the Browns receive their 2024 property tax statement for \$752, which they will pay in 2025. The Browns owned their new home during the 2024 real property tax year for 243 days (May 3 to December 31). They will figure their 2025 deduction for taxes as follows.

Worksheet 11-1. **Figuring Your State and Local Real Estate Tax Deduction — Taxes on New Home**

1. Enter the total state and local real estate taxes for the real property tax year \$ 752
2. Enter the number of days in the real property tax year that you owned the property 243
3. Divide line 2 by 365 (for leap years, divide line 2 by 366) . . . 0.6639
4. Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b \$ 499

The remaining \$253 (\$752 paid less \$499 deduction) of taxes paid in 2025, along with the \$680 paid in 2024, is added to the cost of their new home.

Because the taxes up to the date of sale are considered paid by the seller on the date of sale, the seller is entitled to a 2024 tax deduction of \$933. This is the sum of the \$680 for 2023 and the \$253 for the 123 days the seller owned the home in 2024. The seller must also include the \$933 in the selling price when they figure the gain or loss on the sale. The seller should contact the Browns in January 2025 to find out how much real estate tax is due for 2024.

Form 1099-S. For certain sales or exchanges of real estate, the person responsible for closing the sale (generally, the settlement agent) prepares Form 1099-S, Proceeds From Real Estate Transactions, to report certain information to the IRS and to the seller of the property. Box 2 of Form 1099-S is for the gross proceeds from the sale and should include the portion of the seller's real estate tax liability that the buyer will pay after the date of sale. The buyer includes these taxes

in the cost basis of the property, and the seller both deducts this amount as a tax paid and includes it in the sales price of the property.

For a real estate transaction that involves a home, any real estate tax the seller paid in advance but that is the liability of the buyer appears in box 6 of Form 1099-S. The buyer deducts this amount as a real estate tax, and the seller reduces their real estate tax deduction (or includes it in income) by the same amount. See Refund (or rebate), later.

Taxes placed in escrow. If your monthly mortgage payment includes an amount placed in escrow (put in the care of a third party) for real estate taxes, you may not be able to deduct the total amount placed in escrow. You can deduct only the real estate tax that the third party actually paid to the taxing authority. If the third party doesn't notify you of the amount of real estate tax that was paid for you, contact the third party or the taxing

authority to find the proper amount to show on your return.

Tenants by the entirety. If you and your spouse held property as tenants by the entirety and you file separate federal returns, each of you can deduct only the taxes each of you paid on the property.

Divorced individuals. If your divorce or separation agreement states that you must pay the real estate taxes for a home owned by you and your spouse, part of your payments may be deductible as alimony and part as real estate taxes. See *Payments to a third party* in Pub. 504 for more information.

Ministers' and military housing allowances. If you are a minister or a member of the uniformed services and receive a housing allowance that you can exclude from income, you still can deduct all of the real estate taxes you pay on your home.

Refund (or rebate). If you received a refund or rebate in 2024 of real estate taxes you paid in 2024, you must reduce your deduction by the amount refunded to you. If you received a refund or rebate in 2024 of real estate taxes you deducted in an earlier year, you must generally include the refund or rebate in income in the year you receive it. However, the amount you include in income is limited to the amount of the deduction that reduced your tax in the earlier year. For more information, see *Recoveries* in Pub. 525.

Table 11-1. Which Taxes Can You Deduct?

| Type of Tax | You Can Deduct | You Can't Deduct |
|--------------------------------|---|---|
| Fees and Charges | Fees and charges that are expenses of your trade or business or of producing income. | Fees and charges that aren't expenses of your trade or business or of producing income, such as fees for driver's licenses, car inspections, parking, or charges for water bills (see Taxes and Fees You Can't Deduct). Fines and penalties. |
| Income Taxes | State and local income taxes. Foreign income taxes. Employee contributions to state funds listed under Contributions to state benefit funds . | Federal income taxes. Employee contributions to private or voluntary disability plans. State and local general sales taxes if you choose to deduct state and local income taxes. |
| General Sales Taxes | State and local general sales taxes, including compensating use taxes. | State and local income taxes if you choose to deduct state and local general sales taxes. |
| Other Taxes | Taxes that are expenses of your trade or business. Taxes on property producing rent or royalty income. One-half of self-employment tax paid. | Federal excise taxes, such as tax on gasoline, that aren't expenses of your trade or business or of producing income. Per capita taxes. |
| Personal Property Taxes | State and local personal property taxes. | Customs duties that aren't expenses of your trade or business or of producing income. |
| Real Estate Taxes | State and local real estate taxes. Tenant's share of real estate taxes paid by a cooperative housing corporation. | Real estate taxes that are treated as imposed on someone else (see Division of real estate taxes between buyers and sellers). Foreign real estate taxes. Taxes for local benefits (with exceptions). See Real Estate-Related Items You Can't Deduct . Trash and garbage pickup fees (with exceptions). See Real Estate-Related Items You Can't Deduct . Rent increase due to higher real estate taxes. Homeowners' association charges. |

This page intentionally left blank

Real Estate-Related Items You Can't Deduct

Payments for the following items generally aren't deductible as real estate taxes.

- Taxes for local benefits.
- Itemized charges for services (such as trash and garbage pickup fees).
- Transfer taxes (or stamp taxes).
- Rent increases due to higher real estate taxes.
- Homeowners' association charges.

Taxes for local benefits. Deductible real estate taxes generally don't include taxes charged for local benefits and improvements tending to increase the value of your property. These include assessments for streets, sidewalks, water mains, sewer lines, public parking facilities, and similar improvements. You should increase the basis

of your property by the amount of the assessment.

Local benefit taxes are deductible only if they are for maintenance, repair, or interest charges related to those benefits. If only a part of the taxes is for maintenance, repair, or interest, you must be able to show the amount of that part to claim the deduction. If you can't determine what part of the tax is for maintenance, repair, or interest, none of it is deductible.



Taxes for local benefits may be included in your real estate tax bill. If your taxing authority (or mortgage lender) doesn't furnish you a copy of your real estate tax bill, ask for it. You should use the rules above to determine if the local benefit tax is deductible. Contact the taxing authority if you need additional information about a specific charge on your real estate tax bill.

Itemized charges for services. An itemized charge for services assessed against specific property or certain people isn't a tax, even if the charge is paid to the taxing authority. For example, you can't deduct the charge as a real estate tax if it is:

- A unit fee for the delivery of a service (such as a \$5 fee charged for every 1,000 gallons of water you use),
- A periodic charge for a residential service (such as a \$20 per month or \$240 annual fee charged to each homeowner for trash collection), or
- A flat fee charged for a single service provided by your government (such as a \$30 charge for mowing your lawn because it was allowed to grow higher than permitted under your local ordinance).



You must look at your real estate tax bill to determine if any nondeductible itemized charges, such as those listed above, are included in the bill. If your taxing authority (or mortgage lender) doesn't furnish you a copy of your real estate tax bill, ask for it.

Exception. Service charges used to maintain or improve services (such as trash collection or police and fire protection) are deductible as real estate taxes if:

- The fees or charges are imposed at a like rate against all property in the taxing jurisdiction;
- The funds collected aren't earmarked; instead, they are commingled with general revenue funds; and
- Funds used to maintain or improve services aren't limited to or determined by the amount of these fees or charges collected.

Transfer taxes (or stamp taxes). Transfer taxes and similar taxes and charges on the sale of a personal home aren't deductible. If they are paid by the seller, they are expenses of the sale and reduce the amount realized on the sale. If paid by the buyer, they are included in the cost basis of the property.

Rent increase due to higher real estate taxes. If your landlord increases your rent in the form of a tax surcharge because of increased real estate taxes, you can't deduct the increase as taxes.

Homeowners' association charges. These charges aren't deductible because they are imposed by the homeowners' association, rather than the state or local government.

Personal Property Taxes

Personal property tax is deductible if it is a state or local tax that is:

- Charged on personal property;
- Based only on the value of the personal property; and
- Charged on a yearly basis, even if it is collected more or less than once a year.

A tax that meets the above requirements can be considered charged on personal property even if it is for the exercise of a privilege. For example, a yearly tax based on value qualifies as a personal property tax even if it is called a registration fee and is for the privilege of registering motor vehicles or using them on the highways.

If the tax is partly based on value and partly based on other criteria, it may qualify in part.

Example. Your state charges a yearly motor vehicle registration tax of 1% of value plus 50 cents per hundredweight. You paid \$32 based on the value (\$1,500) and weight (3,400 lbs.) of your car. You can deduct \$15 ($1\% \times \$1,500$) as a personal property tax because it is based on the value. The remaining \$17 ($\0.50×34), based on the weight, isn't deductible.

Taxes and Fees You Can't Deduct

Many federal, state, and local government taxes aren't deductible because they don't fall within the categories discussed earlier. Other taxes and fees, such as federal income taxes, aren't deductible because the tax law specifically prohibits a deduction for them.

See Table 11-1.

Taxes and fees that are generally not deductible include the following items.

- **Employment taxes.** This includes social security, Medicare, and railroad retirement

taxes withheld from your pay. However, one-half of self-employment tax you pay is deductible. In addition, the social security and other employment taxes you pay on the wages of a household worker may be included in medical expenses that you can deduct, or childcare expenses that allow you to claim the child and dependent care credit. For more information, see Pub. 502 and Pub. 503.

- ***Estate, inheritance, legacy, or succession taxes.*** You can deduct the estate tax attributable to income in respect of a decedent if you, as a beneficiary, must include that income in your gross income. In that case, deduct the estate tax on Schedule A (Form 1040), line 16. For more information, see Pub. 559.

- ***Federal income taxes.*** This includes income taxes withheld from your pay.
- ***Fines and penalties.*** You can't deduct fines and penalties paid to a government for violation of any law, including related amounts forfeited as collateral deposits.
- ***Foreign personal or real property taxes.***
- ***Gift taxes.***
- ***License fees.*** You can't deduct license fees for personal purposes (such as marriage, driver's, and pet license fees).
- ***Per capita taxes.*** You can't deduct state or local per capita taxes.

Many taxes and fees other than those listed above are also nondeductible, unless they are ordinary and necessary expenses of a business or income-producing activity. For other nondeductible items, see *Real Estate-Related Items You Can't Deduct*, earlier.

Where To Deduct

You deduct taxes on the following schedules.

State and local income taxes. These taxes are deducted on Schedule A (Form 1040), line 5a, even if your only source of income is from business, rents, or royalties.

Limitation on deduction for state and local taxes. The deduction for state and local taxes is limited to \$10,000 (\$5,000 if married filing married separately). State and local taxes are the taxes that you include on Schedule A (Form 1040), lines 5a, 5b, and 5c. Include taxes imposed by a U.S. territory with your state and local taxes on Schedule A (Form 1040), lines 5a, 5b, and 5c. However, don't include any U.S. territory taxes you paid that are allocable to excluded income.



You may want to take a credit for U.S. territory tax instead of a deduction. See the instructions for Schedule 3 (Form 1040), line 1, for details.

General sales taxes. Sales taxes are deducted on Schedule A (Form 1040), line 5a. You must check the box on line 5a. If you elect to deduct sales taxes, you can't deduct state and local income taxes on Schedule A (Form 1040), line 5a.

Foreign income taxes. Generally, income taxes you pay to a foreign country or U.S. territory can be claimed as an itemized deduction on Schedule A (Form 1040), line 6, or as a credit against your U.S. income tax on Schedule 3 (Form 1040), line 1. To claim the credit, you may have to complete and attach Form 1116. For more information, see the Instructions for Form 1040 or Pub. 514.

Real estate taxes and personal property taxes. Real estate and personal property taxes are deducted on Schedule A (Form 1040), lines 5b and 5c, respectively, unless they are paid on property used in your business, in which case they are deducted on Schedule C (Form 1040) or Schedule F (Form

1040). Taxes on property that produces rent or royalty income are deducted on Schedule E (Form 1040).

Self-employment tax. Deduct one-half of your self-employment tax on Schedule 1 (Form 1040), line 15.

Other taxes. All other deductible taxes are deducted on Schedule A (Form 1040), line 6.

12.

Other Itemized Deductions

What's New

Standard mileage rate. The 2024 rate for business use of a vehicle is 67 cents a mile.

Reminders

No miscellaneous itemized deductions allowed. You can no longer claim any miscellaneous itemized deductions.

Miscellaneous itemized deductions are those deductions that would have been subject to the 2%-of-adjusted-gross-income (AGI) limitation. See *Miscellaneous Itemized Deductions*, later.

Fines and penalties. Rules regarding deducting fines and penalties have changed. See *Fines and Penalties*, later.

Introduction

This chapter explains that you can no longer claim any miscellaneous itemized deductions, unless you fall into one of the qualified categories of employment claiming a deduction relating to unreimbursed employee expenses. Miscellaneous itemized deductions are those deductions that would have been subject to the 2%-of-AGI limitation. You can still claim certain expenses as itemized deductions on Schedule A (Form 1040), Schedule A (Form 1040-NR), or as an adjustment to income on Form 1040 or 1040-SR. This chapter covers the following topics.

- Miscellaneous itemized deductions.
- Expenses you can't deduct.
- Expenses you can deduct.
- How to report your deductions.



You must keep records to verify your deductions. You should keep receipts, canceled checks, substitute checks, financial account statements, and other documentary evidence. For more information on recordkeeping, see *What Records Should I Keep?* in chapter 1.

Useful Items

You may want to see:

Publication

- ☐ **463** Travel, Gift, and Car Expenses
- ☐ **525** Taxable and Nontaxable Income
- ☐ **529** Miscellaneous Deductions
- ☐ **547** Casualties, Disasters, and Thefts
- ☐ **575** Pension and Annuity Income
- ☐ **587** Business Use of Your Home
- ☐ **946** How To Depreciate Property

Form (and Instructions)

- ☐ **Schedule A (Form 1040)** Deductions
- ☐ **2106** Employee Business Expenses
- ☐ **8839** Qualified Adoption Expenses
- ☐ **Schedule K-1 (Form 1041)**
Beneficiary's Share of Income,
Deductions, Credits, etc.

For these and other useful items, go to
[IRS.gov/ Forms](https://www.irs.gov/forms).

Miscellaneous Itemized Deductions

You can no longer claim any miscellaneous itemized deductions that are subject to the 2%-of-AGI limitation, including unreimbursed employee expenses. However, you may be able to deduct certain unreimbursed employee business expenses if you fall into one of the following categories of employment listed under *Unreimbursed Employee Expenses* next.

Unreimbursed Employee Expenses

You can no longer claim a deduction for unreimbursed employee expenses unless you fall into one of the following categories of employment.

- Armed Forces reservists.
- Qualified performing artists.
- Fee-basis state or local government officials.
- Employees with impairment-related work expenses.

Categories of Employment

You can deduct unreimbursed employee expenses only if you qualify as an Armed Forces reservist, a qualified performing artist, a fee-basis state or local government official, or an employee with impairment-related work expenses.

Armed Forces reservist (member of a reserve component). You are a member of a reserve component of the Armed Forces of the United States if you are in the Army, Navy, Marine Corps, Air Force, or Coast Guard Reserve; the Army National Guard of the United States; or the Reserve Corps of the Public Health Service.

Qualified performing artist. You are a qualified performing artist if you:

1. Performed services in the performing arts as an employee for at least two employers during the tax year,
2. Received from at least two of the employers wages of \$200 or more per employer,
3. Had allowable business expenses attributable to the performing arts of more than 10% of gross income from the performing arts, and

4. Had AGI of \$16,000 or less before deducting expenses as a performing artist.

Fee-basis state or local government official. You are a qualifying fee-basis official if you are employed by a state or political subdivision of a state and are compensated, in whole or in part, on a fee basis.

Employee with impairment-related work expenses. Impairment-related work expenses are the allowable expenses of an individual with physical or mental disabilities for attendant care at their place of employment. They also include other expenses in connection with the place of employment that enable the employee to work. See Pub. 463, Travel, Gift, and Car Expenses, for more details.

Allowable unreimbursed employee expenses. If you qualify as an employee in one of the categories mentioned above, you

may be able to deduct the following items as unreimbursed employee expenses.

Unreimbursed employee expenses for individuals in these categories of employment are deducted as adjustments to gross income. Qualified employees listed in one of the categories above must complete Form 2106, Employee Business Expenses, to take the deduction.

You can deduct only unreimbursed employee expenses that are paid or incurred during your tax year, for carrying on your trade or business of being an employee, and ordinary and necessary.

An expense is ordinary if it's common and accepted in your trade, business, or profession. An expense is necessary if it's appropriate and helpful to your business. An expense doesn't have to be required to be considered necessary.

Educator Expenses

If you were an eligible educator in 2024, you can deduct up to \$300 of qualified expenses you paid in 2024 as an adjustment to gross income on Schedule 1 (Form 1040), line 11, rather than as a miscellaneous itemized deduction. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$600. However, neither spouse can deduct more than \$300 of their qualified expenses. For additional information, see *Educator Expenses* in Pub. 529, Miscellaneous Deductions.



Educator expenses include amounts paid or incurred in 2024 for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus. For more information, see the instructions for Schedule 1 (Form 1040), line 11, and Educator Expenses in Pub. 529, Miscellaneous Deductions.

Expenses You Can't Deduct

Because of the suspension of miscellaneous itemized deductions, there are two categories of expenses you can't deduct: miscellaneous itemized deductions subject to the 2%-of-AGI limitation, and those expenses that are traditionally nondeductible under the Internal Revenue Code. Both categories of deduction are discussed next.

Miscellaneous Deductions Subject to 2% AGI

Unless you fall into one of the qualified categories of employment under *Unreimbursed Employee Expenses*, earlier, miscellaneous itemized deductions that are subject to the 2%-of-AGI limitation can no longer be claimed. For expenses not related to unreimbursed employee expenses, you generally can't deduct the following expenses, even if you fall into one of the qualified categories of employment listed earlier.

Appraisal Fees

Appraisal fees you pay to figure a casualty loss or the fair market value of donated property are miscellaneous itemized deductions and can no longer be deducted.

Casualty and Theft Losses

Damaged or stolen property used in performing services as an employee is a miscellaneous deduction and can no longer be deducted. For other casualty and theft losses, see Pub. 547, *Casualties, Disasters, and Thefts*.

Clerical Help and Office Rent

Office expenses, such as rent and clerical help, you pay in connection with your investments and collecting taxable income on those investments are miscellaneous itemized deductions and are no longer deductible.

Credit or Debit Card Convenience Fees

The convenience fee charged by the card processor for paying your income tax (including estimated tax payments) by credit or debit card is a miscellaneous itemized deduction and is no longer deductible.

Depreciation on Home Computer

If you use your home computer to produce income (for example, to manage your investments that produce taxable income), the depreciation of the computer for that part of the usage of the computer is a miscellaneous itemized deduction and is no longer deductible.

Fees To Collect Interest and Dividends

Fees you pay to a broker, bank, trustee, or similar agent to collect your taxable bond interest or dividends on shares of stock are miscellaneous itemized deductions and can no longer be deducted.

Hobby Expenses

A hobby isn't a business because it isn't carried on to make a profit. Hobby expenses are miscellaneous itemized deductions and can no longer be deducted.

Indirect Deductions of Pass-Through Entities

Pass-through entities include partnerships, S corporations, and mutual funds that aren't publicly offered. Deductions of pass-through entities are passed through to the partners or shareholders. The partner's or shareholder's share of passed-through deductions for investment expenses are miscellaneous itemized deductions and can no longer be deducted.

Nonpublicly offered mutual funds. These funds will send you a Form 1099-DIV, Dividends and Distributions, or a substitute form, showing your share of gross income and investment expenses. The investment

expenses reported on Form 1099-DIV are a miscellaneous itemized deduction and are no longer deductible.

Investment Fees and Expenses

Investment fees, custodial fees, trust administration fees, and other expenses you paid for managing your investments that produce taxable income are miscellaneous itemized deductions and are no longer deductible.

Legal Expenses

You can usually deduct legal expenses that you incur in attempting to produce or collect taxable income or that you pay in connection with the determination, collection, or refund of any tax.

Legal expenses that you incur in attempting to produce or collect taxable income, or that you pay in connection with the determination, collection, or refund of any tax are

miscellaneous itemized deductions and are no longer deductible.

You can deduct expenses of resolving tax issues relating to profit or loss from business reported on Schedule C (Form 1040), Profit or Loss From Business, from rentals or royalties reported on Schedule E (Form 1040), Supplemental Income and Loss, or from farm income and expenses reported on Schedule F (Form 1040), Profit or Loss From Farming, on that schedule. Expenses for resolving nonbusiness tax issues are miscellaneous itemized deductions and are no longer deductible.

Loss on Deposits

For information on whether, and if so, how, you may deduct a loss on your deposit in a qualified financial institution, see *Loss on Deposits* in Pub. 547.

Repayments of Income

Generally, repayments of amounts that you included in income in an earlier year is a miscellaneous itemized deduction and can no longer be deducted. If you had to repay more than \$3,000 that you included in your income in an earlier year, you may be able to deduct the amount. See *Repayments Under Claim of Right*, later.

Repayments of Social Security Benefits

For information on how to deduct your repayments of certain social security benefits, see *Repayments More Than Gross Benefits* in chapter 7.

Safe Deposit Box Rent

Rent you pay for a safe deposit box you use to store taxable income-producing stocks, bonds, or investment-related papers is a miscellaneous itemized deduction and can no longer be deducted. You also can't deduct the

rent if you use the box for jewelry, other personal items, or tax-exempt securities.

Service Charges on Dividend Reinvestment Plans

Service charges you pay as a subscriber in a dividend reinvestment plan are a miscellaneous itemized deduction and can no longer be deducted. These service charges include payments for:

- Holding shares acquired through a plan,
- Collecting and reinvesting cash dividends, and
- Keeping individual records and providing detailed statements of accounts.

Tax Preparation Fees

Tax preparation fees on the return for the year in which you pay them are a miscellaneous itemized deduction and can no longer be deducted. These fees include the cost of tax preparation software programs

and tax publications. They also include any fee you paid for electronic filing of your return.

Trustee's Administrative Fees for IRA

Trustee's administrative fees that are billed separately and paid by you in connection with your IRA are a miscellaneous itemized deduction and can no longer be deducted. For more information about IRAs, see chapter 9.

Nondeductible Expenses

In addition to the miscellaneous itemized deductions discussed earlier, you can't deduct the following expenses.

List of Nondeductible Expenses

- Adoption expenses.
- Broker's commissions.
- Burial or funeral expenses, including the cost of a cemetery lot.
- Campaign expenses.

- Capital expenses.
- Check-writing fees.
- Club dues.
- Commuting expenses.
- Fees and licenses, such as car licenses, marriage licenses, and dog tags.
- Fines or penalties.
- Health spa expenses.
- Hobby losses, but see Hobby Expenses, earlier.
- Home repairs, insurance, and rent.
- Home security system.
- Illegal bribes and kickbacks.
- Investment-related seminars.
- Life insurance premiums paid by the insured.
- Lobbying expenses.

- Losses from the sale of your home, furniture, personal car, etc.
- Lost or misplaced cash or property.
- Lunches with co-workers.
- Meals while working late.
- Medical expenses as business expenses other than medical examinations required by your employer.
- Personal disability insurance premiums.
- Personal legal expenses.
- Personal, living, or family expenses.
- Political contributions.
- Professional accreditation fees.
- Professional reputation improvement expense.
- Relief fund contributions.
- Residential telephone line.

- Stockholders' meeting attendance expenses.
- Tax-exempt income earning/collecting expenses.
- The value of wages never received or lost vacation time.
- Travel expenses for another individual.
- Voluntary unemployment benefit fund contributions.
- Wristwatches.

Adoption Expenses

You can't deduct the expenses of adopting a child, but you may be able to take a credit for those expenses. See the Instructions for Form 8839, Qualified Adoption Expenses, for more information.

Campaign Expenses

You can't deduct campaign expenses of a candidate for any office, even if the candidate

is running for reelection to the office. These include qualification and registration fees for primary elections.

Legal fees. You can't deduct legal fees paid to defend charges that arise from participation in a political campaign.

Check-Writing Fees on Personal Account

If you have a personal checking account, you can't deduct fees charged by the bank for the privilege of writing checks, even if the account pays interest.

Club Dues

Generally, you can't deduct the cost of membership in any club organized for business, pleasure, recreation, or other social purpose. This includes business, social, athletic, luncheon, sporting, airline, hotel, golf, and country clubs.

You can't deduct dues paid to an organization if one of its main purposes is to:

- Conduct entertainment activities for members or their guests, or
- Provide members or their guests with access to entertainment facilities.

Dues paid to airline, hotel, and luncheon clubs aren't deductible.

Commuting Expenses

You can't deduct commuting expenses (the cost of transportation between your home and your main or regular place of work). If you haul tools, instruments, or other items in your car to and from work, you can deduct only the additional cost of hauling the items such as the rent on a trailer to carry the items.

Fines and Penalties

Generally, no deduction is allowed for fines and penalties paid to a government or

specified nongovernmental entity for the violation of any law except in the following situations.

- Amounts that constitute restitution.
- Amounts paid to come into compliance with the law.
- Amounts paid or incurred as the result of certain court orders in which no government or specified nongovernmental agency is a party.
- Amounts paid or incurred for taxes due.

Nondeductible amounts include an amount paid in settlement of your actual or potential liability for a fine or penalty (civil or criminal). Fines or penalties include amounts paid such as parking tickets, tax penalties, and penalties deducted from teachers' paychecks after an illegal strike.

No deduction is allowed for the restitution amount or amount paid to come into compliance with the law unless the amounts are specifically identified in the settlement agreement or court order. Also, any amount paid or incurred as reimbursement to the government for the costs of any investigation or litigation are not eligible for the exceptions and are nondeductible.

Health Spa Expenses

You can't deduct health spa expenses, even if there is a job requirement to stay in excellent physical condition, such as might be required of a law enforcement officer.

Home Security System

You can't deduct the cost of a home security system as a miscellaneous deduction.

However, you may be able to claim a deduction for a home security system as a business expense if you have a home office.

See *Security system* under *Figuring the Deduction* in Pub. 587.

Investment-Related Seminars

You can't deduct any expenses for attending a convention, seminar, or similar meeting for investment purposes.

Life Insurance Premiums

You can't deduct premiums you pay on your life insurance. You may be able to deduct, as alimony, premiums you pay on life insurance policies assigned to your former spouse. See Pub. 504, *Divorced or Separated Individuals*, for information on alimony.

Lobbying Expenses

You generally can't deduct amounts paid or incurred for lobbying expenses. These include expenses to:

- Influence legislation;

- Participate or intervene in any political campaign for, or against, any candidate for public office;
- Attempt to influence the general public, or segments of the public, about elections, legislative matters, or referendums; or
- Communicate directly with covered executive branch officials in any attempt to influence the official actions or positions of those officials.

Lobbying expenses also include any amounts paid or incurred for research, preparation, planning, or coordination of any of these activities.

Dues used for lobbying. If a tax-exempt organization notifies you that part of the dues or other amounts you pay to the organization are used to pay nondeductible lobbying expenses, you can't deduct that part. See *Lobbying Expenses* in Pub. 529 for information on exceptions.

Lost or Mislaid Cash or Property

You can't deduct a loss based on the mere disappearance of money or property.

However, an accidental loss or disappearance of property can qualify as a casualty if it results from an identifiable event that is sudden, unexpected, or unusual.

See Pub. 547 for more information.

Lunches With Co-Workers

You can't deduct the expenses of lunches with co-workers, except while traveling away from home on business. See Pub. 463 for information on deductible expenses while traveling away from home.

Meals While Working Late

You can't deduct the cost of meals while working late. However, you may be able to claim a deduction if the cost of meals is a deductible entertainment expense, or if you're traveling away from home. See Pub. 463 for information on deductible entertainment

expenses and expenses while traveling away from home.

Personal Legal Expenses

You can't deduct personal legal expenses such as those for the following.

- Custody of children.
- Breach of promise to marry suit.
- Civil or criminal charges resulting from a personal relationship.
- Damages for personal injury, except for certain unlawful discrimination and whistle-blower claims.
- Preparation of a title (or defense or perfection of a title).
- Preparation of a will.
- Property claims or property settlement in a divorce.

You can't deduct these expenses even if a result of the legal proceeding is the loss of income-producing property.

Political Contributions

You can't deduct contributions made to a political candidate, a campaign committee, or a newsletter fund. Advertisements in convention bulletins and admissions to dinners or programs that benefit a political party or political candidate aren't deductible.

Professional Accreditation Fees

You can't deduct professional accreditation fees such as the following.

- Accounting certificate fees paid for the initial right to practice accounting.
- Bar exam fees and incidental expenses in securing initial admission to the bar.
- Medical and dental license fees paid to get initial licensing.

Professional Reputation

You can't deduct expenses of radio and TV appearances to increase your personal prestige or establish your professional reputation.

Relief Fund Contributions

You can't deduct contributions paid to a private plan that pays benefits to any covered employee who can't work because of any injury or illness not related to the job.

Residential Telephone Service

You can't deduct any charge (including taxes) for basic local telephone service for the first telephone line to your residence, even if it's used in a trade or business.

Stockholders' Meetings

You can't deduct transportation and other expenses you pay to attend stockholders' meetings of companies in which you own stock but have no other interest. You can't

deduct these expenses even if you're attending the meeting to get information that would be useful in making further investments.

Tax-Exempt Income Expenses

You can't deduct expenses to produce tax-exempt income. You can't deduct interest on a debt incurred or continued to buy or carry tax-exempt securities.

If you have expenses to produce both taxable and tax-exempt income, but you can't identify the expenses that produce each type of income, you must divide the expenses based on the amount of each type of income to determine the amount that you can deduct.

Travel Expenses for Another Individual

You generally can't deduct travel expenses you pay or incur for a spouse, dependent, or other individual who accompanies you (or your employee) on business or personal travel unless the spouse, dependent, or other

individual is an employee of the taxpayer, the travel is for a bona fide business purpose, and such expenses would otherwise be deductible by the spouse, dependent, or other individual. See Pub. 463 for more information on deductible travel expenses.

Voluntary Unemployment Benefit Fund Contributions

You can't deduct voluntary unemployment benefit fund contributions you make to a union fund or a private fund. However, you can deduct contributions as taxes if state law requires you to make them to a state unemployment fund that covers you for the loss of wages from unemployment caused by business conditions.

Wristwatches

You can't deduct the cost of a wristwatch, even if there is a job requirement that you know the correct time to properly perform your duties.

Expenses You Can Deduct

You can deduct the items listed below as itemized deductions. Report these items on Schedule A (Form 1040), line 16, or Schedule A (Form 1040-NR), line 7.

List of Deductions

Each of the following items is discussed in detail after the list (except where indicated).

- Amortizable premium on taxable bonds.
- Casualty and theft losses from income producing property.
- Excess deductions of an estate or trust.
- Federal estate tax on income in respect of a decedent.
- Gambling losses up to the amount of gambling winnings.
- Impairment-related work expenses of persons with disabilities.

- Losses from Ponzi-type investment schemes (see Pub. 547 for more information).
- Repayments of more than \$3,000 under a claim of right.
- Unlawful discrimination claims.
- Unrecovered investment in an annuity.

Amortizable Premium on Taxable Bonds

In general, if the amount you pay for a bond is greater than its stated principal amount, the excess is bond premium. You can elect to amortize the premium on taxable bonds. The amortization of the premium is generally an offset to interest income on the bond rather than a separate deduction item.

Part of the premium on some bonds may be an itemized deduction on Schedule A (Form 1040). For more information, see *Amortizable Premium on Taxable Bonds* in Pub. 529, and

Bond Premium Amortization in chapter 3 of Pub. 550, Investment Income and Expenses.

Casualty and Theft Losses of Income-Producing Property

You can deduct a casualty or theft loss as an itemized deduction on Schedule A (Form 1040), line 16, if the damaged or stolen property was income-producing property (property held for investment, such as stocks, notes, bonds, gold, silver, vacant lots, and works of art). First, report the loss in Form 4684, Section B. You may also have to include the loss on Form 4797 if you're otherwise required to file that form. To figure your deduction, add all casualty or theft losses from this type of property included on Form 4684, lines 32 and 38b, or Form 4797, line 18a. For more information on casualty and theft losses, see Pub. 547.

Excess Deductions of an Estate or Trust

Generally, if an estate or trust has an excess deduction resulting from total deductions being greater than its gross income, in the estate's or trust's last tax year, a beneficiary can deduct the excess deductions, depending on its character. The excess deductions retain their character as an adjustment to arrive at adjusted gross income on Schedule 1 (Form 1040), as a non-miscellaneous itemized deduction reported on Schedule A (Form 1040), or as a miscellaneous itemized deduction. For more information on excess deductions of an estate or trust, see the Instructions for Schedule K-1 (Form 1041) for a Beneficiary Filing Form 1040.

Federal Estate Tax on Income in Respect of a Decedent

You can deduct the federal estate tax attributable to income in respect of a decedent that you as a beneficiary include in your gross income. Income in respect of the

decedent is gross income that the decedent would have received had death not occurred and that wasn't properly includible in the decedent's final income tax return. See Pub. 559, Survivors, Executors, and Administrators, for more information.

Gambling Losses up to the Amount of Gambling Winnings

You must report the full amount of your gambling winnings for the year on Schedule 1 (Form 1040), line 8b. You deduct your gambling losses for the year on Schedule A (Form 1040), line 16. You can't deduct gambling losses that are more than your winnings.



You can't reduce your gambling winnings by your gambling losses and report the difference. You must report the full amount of your winnings as income and claim your losses (up to the amount of winnings) as an itemized deduction.

Therefore, your records should show your winnings separately from your losses.



Diary of winnings and losses. You must keep an accurate diary or similar record of your losses and winnings.

Your diary should contain at least the following information.

- The date and type of your specific wager or wagering activity.
- The name and address or location of the gambling establishment.
- The names of other persons present with you at the gambling establishment.
- The amount(s) you won or lost.

See Pub. 529 for more information.

Impairment-Related Work Expenses

If you have a physical or mental disability that limits your being employed, or substantially limits one or more of your major

life activities, such as performing manual tasks, walking, speaking, breathing, learning, and working, you can deduct your impairment-related work expenses.

Impairment-related work expenses are ordinary and necessary business expenses for attendant care services at your place of work and for other expenses in connection with your place of work that are necessary for you to be able to work.

Self-employed. If you're self-employed, enter your impairment-related work expenses on the appropriate form (Schedule C (Form 1040), Schedule E (Form 1040), or Schedule F (Form 1040)) used to report your business income and expenses.

Repayments Under Claim of Right

If you had to repay more than \$3,000 that you included in your income in an earlier year because at the time you thought you had an unrestricted right to it, you may be able to

deduct the amount you repaid or take a credit against your tax. See Repayments in chapter 8 for more information.

Unlawful Discrimination Claims

You may be able to deduct, as an adjustment to income on Schedule 1 (Form 1040), line 24h, attorney fees and court costs for actions settled or decided after October 22, 2004, involving a claim of unlawful discrimination, a claim against the U.S. Government, or a claim made under section 1862(b)(3)(A) of the Social Security Act. However, the amount you can deduct on Schedule 1 (Form 1040), line 24h, is limited to the amount of the judgment or settlement you are including in income for the tax year. See Pub. 525, Taxable and Nontaxable Income, for more information.

Unrecovered Investment in Annuity

A retiree who contributed to the cost of an annuity can exclude from income a part of each payment received as a tax-free return of the retiree's investment. If the retiree dies before the entire investment is recovered tax free, any unrecovered investment can be deducted on the retiree's final income tax return. See Pub. 575, Pension and Annuity Income, for more information about the tax treatment of pensions and annuities.