

Deductions

Charitable Contributions (IRC § 170)

Permissible recipients - 170(c)

Prohibition on lobbying by charities - 170(c)(2)(D)

30%, 50%, or 60% AGI “ceilings” - 170(b)

Donations of property

- In general, deduct fair market value
- Special valuation rules

Exceptions (IRC § 170(e))

- Lower of FMV or basis for:
 - Property that wouldn't produce long-term capital gain if sold (e.g., inventory)
 - Tangible personal property that charity doesn't use in exempt function
 - Intellectual property
 - Additional deductions possible as charity earns income (IRC § 170(m))

Donation of services not deductible - *Lary*

Transfer must be a “gift”

- “Quid pro quo” reduces or eliminates deduction
 - *Rolfs*
 - IRC § 170(l)
 - *Hernandez*

Above the line? No. Itemized deduction.

Interest (IRC § 163)

What is deductible?

- Business interest: IRC §§ 162, 163(j)
- Investment interest: IRC §§ 212, 163(d)
- Personal interest: IRC § 163(h)
- Qualified residence interest: IRC § 163(h)(3) - *Voss*
- Student loan interest: IRC § 221
- Other personal interest not deductible
 - Credit card, auto loans, home equity loans, personal lines of credit

Above the line? Sometimes - only if:

- Business interest: IRC § 62(a)(1)
- Interest on rentals: IRC § 62(a)(4)
- Student loan interest: IRC § 62(a)(17)
- Other interest deductible below the line, or not at all

State and Local Taxes (IRC § 164)

What is deductible?

- Business taxes: IRC § 162
- Taxes on investments: IRC § 212
- Taxes incurred in personal life: IRC § 164
 - State and local property taxes
 - Proration on sale under § 164(d)
 - State and local income taxes or state and local general sales taxes (taxpayer picks)
 - \$10,000 limit
- BUT! Not deductible ever (IRC § 275):
 - Federal income taxes
 - Estate and gift taxes

Above the line? Sometimes - only if:

- Deductible business taxes: IRC § 62(a)(1)
- Deductible taxes on rentals: IRC § 62(a)(4)
- Other taxes deductible below the line, or not at all

Casualty Losses (IRC § 165(c)(3))

Realized losses: IRC § 1001

Loss deduction generally: IRC § 165(a)

Limitations for individuals: IRC § 165(c)

Casualty loss: IRC § 165(c)(3)

“Floors” (IRC § 165(h)): \$100 per occurrence and 10% of AGI each year

Above the line? No. Itemized deduction.

Medical Expenses (IRC § 213)

7.5% AGI “floor”

Definition of “medical care”

- Diagnosis, cure, mitigation, etc. of disease
- Affecting bodily structure or function
- Transportation
- Long-term care
- Health insurance premiums
- Prescription drugs or insulin

Above the line? No. Itemized deduction.

“Miscellaneous” Deductions (IRC § 67)

Through 2025, not deductible at all

In 2026 and thereafter, 2% AGI “floor”

Definition of “miscellaneous” deductions

- Any itemized deduction *not* listed in IRC § 67

Examples

- Unreimbursed employee business expenses (IRC § 162)
- Union dues (IRC § 162)
- Individual tax return preparation fees (IRC § 212(3))