

Medical expenses

- 10% 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
 - *Not* cosmetic surgery
 - *Not* depreciation

Charitable contributions

- Permissible recipients
- Prohibition on lobbying by charities
- 30% or 50% AGI “ceiling”

Exceptions to FMV rule - IRC § 170(e)

Lower of FMV or basis for:

- Property other than property that produces capital gain if sold
 - Example: Inventory (ordinary income)
- Tangible personal property that charity doesn't use in exempt function
 - Example: Art that charity promptly sells
- Intellectual property
 - Additional deduction allowed as charity earns income (IRC § 170(m))

Definition of “alimony”

- In cash
- To/for benefit of ex-spouse
- Pursuant to written instrument
- *No* election to have payment *not* be “alimony”
- Payor/payee live apart
- No obligation to pay after payee dies (payments can end sooner, but not later, than ex's death)

What else could transfer be?

- Child support - tax “nothing” (IRC § 71(c))
- Property settlement - tax “nothing” (IRC § 1041)

Deductible interest

- Business interest: IRC § 162
- Investment interest: IRC § 163(d)
- Personal interest: IRC § 163(h)
 - Qualified residence interest: IRC § 163(h)(3)
- Student loan interest: IRC § 221
- Other personal interest not deductible
 - Credit card, auto loans, personal lines of credit without home mortgage

Interest deductions: Above the line

- 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

Deductible taxes

- 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)
- ***BUT! Not deductible ever (IRC § 275):***
 - Federal income taxes
 - Federal estate and gift taxes

Deduction for taxes: Above the line

- 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