
Index

- Accelerated death benefits, 61–63,
337–339
 chronically ill, limits for, 62
- Account losses, 146
- Adoption costs, 19–22
 expenses, qualified, 19–20
 foreign child, 21
 modified adjusted gross income limit, 20
 U.S. citizen/resident child, 21
- Alimony, 25–27
 cash payments, 26
 living apart, 26
 payable under court decree, 25
 payment responsibility ends on death,
 26
- Alternative minimum tax (AMT), 428
- American Opportunity credit, 69–73
 costs, qualified higher education, 70–71
 educational institution, eligible, 70
 modified adjusted gross income limit,
 71–72
 student, eligible, 70
- Amortization of bond premium, 237–238
- AMT (alternative minimum tax), 428
- Appraisal, IRS, 179
- Appraisal fees:
 charitable giving, 194–195
 insurance and catastrophes, 339–340
- Appreciated property donations,
 176–181
 adjusted gross income limit, election to
 change, 178–179
 holding period, 177
 IRS appraisal, 179
 overvaluations, penalty for, 179–180
 property is not ordinary income property,
 177
 property that has declined in value, 180
 substantiation requirements, 178
 tangible property used in charity exempt
 purpose, 177
- Archer Medical Savings Accounts (MSAs),
 52–56
 death and, 55
 reporting income, 56
- Audits. *See* Tax audits
- Awards, 356–357
- Bad debts, 319–323
 bank deposits, loss on, 218
 debtor-creditor relationship, 320
 loan forgiveness, 323
 loan from after-tax income/capital,
 320–321
 valid debt, 320
 worthlessness, 321

442 INDEX

- Bank deposits, loss on, 217–221
 - bad debt, 218
 - casualty loss, 218–219
 - ordinary loss, 219
- Bargain sales, 186–187
- Below-market loans, 317–319
- Bond(s):
 - interest on purchases, accrued, 316–317
 - municipal, 239–240
 - premium, amortization of, 237–238
 - savings, 83–86, 240–242
 - worthless, 225–228
- Bonus depreciation, on equipment
 - purchases, 377, 379
- Borrowing and interest, 313–323. *See also* Mortgage(s)
 - about, 313–314
 - bad debts, 319–323
 - bond purchases, accrued interest on, 316–317
 - business interest, 315–316
 - home mortgage interest, 104–106, 314
 - investment-related interest, 314–315
 - loans, below-market, 317–319
 - margin interest and other
 - investment-related borrowing, 230–232
 - savings bonds interest, 83–86
 - student loan interest, 81–83, 314
- Building(s):
 - energy-efficient commercial, 311–312
 - historic, 309–310
 - low-income housing, 308
 - pre-1936, 310
- Business, 373–404
 - about, 373–374
 - business credits, 400–401
 - domestic production activities deduction, 395–397
 - equipment purchases, 376–381
 - farming-related breaks, 393–395
 - gifts, 386–388
 - hobby losses, 388–390
 - home office deduction, 297–302, 355–356, 391–393
 - net operating losses, 402–404
 - other business deductions, 397–399
 - self-employment tax deduction, 390
 - services, payment for, 381–384
 - start-up costs, 374–376
 - supplies, 384–386
 - vacation home deduction, 293–294
- Business credits, 400–401
- Business interest, 315–316
- Business travel, 253–258
 - expenses, examples of, 253–254
 - local overnight stays, 254
 - part-business trips abroad, 255–256
 - part-business trips within United States, 254–255
 - per diem rates, 256
- Business use of personal car, 198–203
 - depreciation, 199–201
 - dollar limit on depreciation, 200–201
 - employee, 202–203
 - self-employed person, 203
 - standard mileage rate, 199
 - substantiation, 201
- Cancer screening, 49
- Capital gains and qualified dividends, 224–225
- Capital improvements, 130
- Capital losses, 221–224
 - wash sale rule, 222–223
- Car accidents and other car-related problems, 207–211
 - casualty event, 208
 - loss, establishing amount of, 208–209
 - \$100 floor, applying, 209
 - ten percent of adjusted gross income floor, 209–210
- Carryback and carryforward periods, for net operating losses, 402–403
- Carryover, expiration of, 175
- Cars, 197–214
 - about, 197–198
 - business use of personal car, 198–203
 - car accidents and other car-related problems, 207–211
 - credit for low-speed electric vehicles, 212–213
 - credit for plug-in electric drive vehicles, 211–212
 - credit for plug-in vehicle conversions, 214
 - donating, 181–183, 211
 - employer-provided, 203–206
 - vehicle registration fees, 206–207
- Cash donations:
 - about, 171–172

- adjusted gross income limit, 173
- adjusted gross income planning, 174
- carryover, expiration of, 175
- deductible contributions, examples of, 173
 - organizations, nonqualified, 175
 - organizations, qualified, 172–173
 - recordkeeping for, 196
 - substantiation, 173
 - timing issues, 174
- Casualty and theft losses:
 - about, 325–326
 - bank deposits, loss on, 218–219
 - car accidents and other car-related problems, 208
 - casualty event, 326
 - insurance reimbursements, 327–328
 - \$100 limit, 328
 - proof of casualty loss or theft, 327
 - ten percent of adjusted gross income limit, 328–329
 - theft event, 327
- Catastrophes. *See* Insurance and catastrophes
- Charitable giving, 170–196
 - about, 170–171
 - appraisal fees and other costs, 194–195
 - appreciated property donations, 176–181
 - bargain sales, 186–187
 - cash donations, 171–175, 196
 - donor-advised funds, 193–194
 - intellectual property donations, 183–184
 - IRA transfers to charity, 169, 195–196
 - membership fees to nonprofit organizations, 191–192
 - real estate donated for conservation purposes, 184–186
 - recordkeeping for cash donations, 196
 - student exchange program, 192–193
 - tickets to fund-raisers, raffles, and sporting events, 189–191, 281–282
 - used clothing and car donations, 181–183
 - volunteer expenses, 187–189
- Charitable travel, 265–266
- Child support, 23–24
- Child tax credit, 8–10
 - children, qualifying, 9
 - modified adjusted gross income limit, 9–10
 - as refundable credit, 10
- Chronically ill, limits for, 62
- Cleaning expenses, for work clothes and uniforms, 348
- Clothing, donation of used, 181–183
- Club dues, 285–287
- COBRA coverage, 56–58
 - second COBRA election period, 57
- Commercial buildings, deduction for energy-efficient, 311–312
- Company holiday parties and picnics, 279–280
- Computer used for investments, home, 234–235
- Conservation, real estate donated for, 184–186
- Continuing care facilities and nursing homes, 60–61
- Conventions, 261–263
 - on cruise ships, 262–263
 - foreign, 261–262
- Cooperative housing, 124–125
- Coverdell education savings accounts, 86–92
 - beneficiary, eligible, 87
 - cash contributions, 88
 - expenses, eligible, 88
 - modified adjusted gross income for contributors, 87–88
- Credit(s):
 - American Opportunity, 69–73
 - business, 400–401
 - child tax, 8–10
 - earned income, 11–14
 - health insurance, 38–41
 - homebuyer credit for DC purchasers, 120–121
 - lifetime learning, 73–75
 - low-income housing, 307–309
 - mortgage interest tax, 104–106, 314
 - rehabilitation, 309–311
 - retirement saver's, 164–167
- Cruise ships, conventions on, 262–263
- Custodial/trustee fees, for retirement savings, 167–168
- Damages, 334–336
- DC empowerment zone assets, gain on, 245–246
- DC homebuyer credit, 120–121
 - first-time homebuyer, 120
 - modified adjusted gross income limit, 120–121

444 INDEX

- Death benefits, accelerated, 61–63, 337–339
- Debts, bad, 319–323
 - bank deposits, loss on, 218
 - debtor-creditor relationship, 320
 - loan forgiveness, 323
 - loan from after-tax income/capital, 320–321
 - valid debt, 320
 - worthlessness, 321
- Decedents, 63–64, 422–423
- De minimis (minimal) fringe benefits, 365–367
- Dental services, 31
- Dependency exemption, 3–8
 - children, qualifying, 4
 - citizenship or residency test, 6
 - gross income test, 5
 - joint return test, 6
 - modified support test, 4–5
 - relationship or member of the household test, 5
 - support items, examples of, 6
 - support test, 5
- Dependent care expenses, 14–19
 - dependent care credit limits, 17
 - dependent care provider information, 16
 - exclusion, conditions for, 17–18
 - expenses on behalf of qualifying dependent, 15
 - expenses to earn income, 15
 - household expenses payment, 15
 - joint return, 15
 - qualifying expenses, examples of, 16
 - qualifying expenses in excess of employer reimbursements, 16
 - tax credit, conditions for, 14–16
- Depreciation:
 - bonus, on equipment purchases, 377, 379
 - business use of personal car, 199–201
 - equipment purchases, 377, 379–380
 - rentals, 304–306
- Disability coverage, 336–337
- Disaster areas, 331
- Disaster losses, 330–333
 - disaster areas, 331
 - time limits, 331–332
- Disaster relief payments, 333–334
- Disaster victims, 312
- Discounts, 367, 424
- District of Columbia:
 - empowerment zone assets, gain on, 245–246
 - homebuyer credit, 120–121
- Dividends, qualified, 224–225
- Domestic production activities deduction, 395–397
 - adjusted gross income limit, 397
 - qualified domestic activity, 396
 - W-2 limit, 396–397
- Donating cars, 181–183, 211
- Donor-advised funds, 193–194
- Drugs and medicine, 33
- Drywall, damage from corrosive, 340–341
- Dues, club, 285–287
- Dues to unions and professional associations, 345–346
 - professional associations, examples of deductible payments to, 345–346
 - unions, examples of deductible payments to, 345
- Earned income credit, 11–14
 - adjusted gross income, 12, 13
 - children, qualifying, 11–12
 - earned income, 12
 - joint return, 12–13
- Educational travel, 96–97, 266–269
- Education costs, 65–98
 - about, 65–66
 - American Opportunity credit, 69–73
 - Coverdell education savings accounts, 86–92
 - educational travel, 96–97, 266–269
 - employer-paid courses, 66–68
 - government reimbursements, 98
 - IRAs, penalty-free withdrawals from, 98
 - job-related education, 75–78
 - lifetime learning credit, 73–75
 - qualified tuition programs (529 plans), 92–95
 - savings bonds, interest on, 83–86
 - scholarships, fellowships, and grants, 68–69
 - seminars, 95–96
 - student loan cancellation, 97–98
 - student loan interest, 81–83, 314
 - tuition and fees deduction, 78–81
- Education savings accounts (ESAs). *See* Coverdell education savings accounts
- Educator expenses, 354

- Electric vehicles, 211–213, 214
- Employee discounts, 367
- Employee's business use of personal car, 202–203
- Employer. *See also* Job
 - car provided by, 203–206
 - courses paid by, 66–68
 - dependent care expenses, reimbursement for, 16
 - holiday parties and picnics, 279–280
 - home office for convenience of, 301
 - jury duty pay turned over to, 361–362
 - retirement planning advice paid by, 168–169
 - SIMPLE contribution, required, 162–163
 - skills required by, 76
- Empowerment zone assets, gain on, 244–246
 - exclusion of gain from DC zone assets, 245–246
 - rollover of, 245
- Endocrine condition screening, 50
- Energy-efficient commercial buildings, deduction for, 311–312
- Energy improvements, 135–138
 - eligible items, 136–137
 - limitations, 137
 - solar power and fuel cells, 137
- Entertainment, 273–290
 - about, 273–274
 - company holiday parties and picnics, 279–280
 - entertainment facilities and club dues, 285–287
 - gambling losses, 287–290
 - home, 284–285
 - meals and, 274–279
 - recordkeeping for, 287, 288
 - sporting and theater events, 189–191, 280–284
- Equipment. *See also* Equipment purchases
 - medical, 31–32
 - work, 350–352
- Equipment purchases, 376–381
 - bonus depreciation, 377, 379
 - depreciation, 377, 379–380
 - examples, 377
 - first-year expensing, 376, 378–379
- ESAs. *See* Coverdell education savings accounts
- Estate tax deduction on income in respect of a decedent, 422–423
- Expenses. *See also* Medical expenses; *specific expenses*
 - dependent care, 14–19
 - educator, 354
 - impairment-related, 362–363
 - job-hunting, 343–345
 - moving, 131–135, 266
 - volunteer, 187–189
- Expensing of equipment purchases, first-year, 376, 378–379
- Family and self:
 - about, 1–2
 - adoption costs, 19–22
 - alimony, 25–27
 - child support, 23–24
 - child tax credit, 8–10
 - dependency exemption, 3–8
 - dependent care expenses, 14–19
 - earned income credit, 11–14
 - foster care, 22–23
 - personal exemption, 2–3
- Farming-related breaks, 393–395
- Federal taxes, certain, 409
- Fellowships, 68–69
- Financial advice, fees for, 235–237
- First-year expensing of equipment purchases, 376, 378–379
- 529 plans, 92–95
 - expenses, qualified, 93
 - tuition programs, qualified, 93
- Flexible spending arrangements for health care, 44–46
- Foreign child adoption costs, 21
- Foreign conventions, 261–262
- Foreign earned income, 369–372
- Foreign part-business trips, 369–372
- Foreign taxes on investments, 246–248
- Foster care, 22–23
- 401(k) and similar plans, 154–156
 - conversion to Roth IRA, 149
 - elective deferral limits, 154–155
- Frequent flier miles, 270–271
- Fringe benefits, 365–369
 - de minimis (minimal), 365–367
 - employee discounts, 367
 - exempt from Social Security and Medicare (FICA) taxes, 367, 368
 - no-additional-cost services, 367
 - transportation, 367
 - working condition, 367

446 INDEX

- Fuel cells, 137
- Funds, donor-advised, 193–194
- Gain(s):
 - capital, 224–225
 - on empowerment zone assets, 244–246
 - on sale of small business stock, 242–244
- Gambling losses, 287–290
- Gifts:
 - business, 386–388
 - received by you, 416–418
- Government benefits, 425–428
 - Social Security benefits, 426–427
 - taxable, 427–428
 - tax-free, 425–426
- Government reimbursements, of education costs, 98
- Grants, 68–69
- Gynecologic conditions screening, 51
- Health insurance. *See also* Insurance and catastrophes
 - credit for eligible individuals, 38–41
 - HSAs and, 48–49
 - medical expenses, itemized, 33
 - self-employed deduction, 37–38
- Health reimbursement arrangements, 46–47
- Health Savings Accounts (HSAs), 47–52
 - cancer screening, 49
 - health insurance, qualifying
 - high-deductible, 48–49
 - heart and vascular diseases screening, 50
 - infectious diseases screening, 50
 - Medicare and, 48
 - mental health conditions and substance abuse screening, 50
 - metabolic, nutritional, and endocrine condition screening, 50
 - musculoskeletal disorders screening, 50
 - obstetric and gynecologic conditions screening, 51
 - screening services treated as medical expenses, 49–51
 - vision and hearing disorders screening, 51
 - withdrawals, tax-free, 49
- Hearing disorders screening, 51
- Heart and vascular diseases screening, 50
- Historic structures, 309–310
- Hobby losses, 388–390
- Holiday parties and picnics, company, 279–280
- Homebuyer credit for DC purchasers, 120–121
- Home computer used for investments, 234–235
- Home entertainment, 284–285
- Home equity loans, 106–108
- Home/housing, 99–138. *See also* Home office;
Mortgage(s)
 - about, 99–100
 - cooperative housing, 124–125
 - energy improvements, 135–138
 - homebuyer credit for DC purchasers, 120–121
 - home equity loans, 106–108
 - home sale exclusion, 126–131
 - improvements for medical reasons, 32
 - IRA withdrawals for home-buying expenses, 118–120
 - late payment penalties, 114–115
 - minister's housing allowance, 125–126
 - mortgage debt, cancellation of, 117–118
 - mortgage insurance, 115–116
 - mortgage interest tax credit, 104–106, 314
 - mortgages, 100–104
 - moving expenses, 131–135, 266
 - points, 108–110
 - prepayment penalties, 113–114
 - real estate taxes, 122–124
 - refinancing, 110–112
 - reverse mortgages, 116–117
- Home office, 297–302, 355–356, 391–393
 - customers, meeting/dealing with, 299
 - employer, convenience of, 301
 - exclusive use test, 299, 392
 - gross income limitation, 300, 392
 - as principal place of business, 299, 392
 - separate structure, 299
- Home sale exclusion, 126–131
 - capital improvements, 130
 - main home, 127–128
 - ownership test, 128
 - partial exclusion, 129
 - use test, 128–129
- Household expenses payment, 15
- HSAs. *See* Health Savings Accounts (HSAs)
- Ill, limits for chronically, 62
- Illness, decedent's final, 63–64

- Impairment-related expenses, 362–363
- Incentive stock options, exercise of, 248–250
- Income earned abroad, 369–372
- Income taxes:
 - local, 406–407
 - state, 239, 240, 406–407
- Individual retirement accounts (IRAs). *See also* Roth IRAs; Traditional IRAs
 - charity, transfers to, 169, 195–196
 - distribution and reinvestment, 152
 - education costs and, 98
 - home-buying expenses and, 118–120
 - penalty-free withdrawals from, 98, 118–120
 - rollovers, 152–153
 - transfers, direct, 152
- Infectious diseases screening, 50
- Inflation, items adjusted annually for, 429–431
- Inheritances, 418–420
- Insurance and catastrophes, 324–341. *See also* Health insurance
 - about, 324–325
 - accelerated death benefits, 61–63, 337–339
 - appraisal fees, 339–340
 - casualty and theft losses, 218–219, 325–330
 - damages, 334–336
 - disability coverage, 336–337
 - disaster losses, 330–333
 - disaster relief payments, 333–334
 - drywall, damage from corrosive, 340–341
 - legal fees, 339
 - life insurance proceeds, 421
 - medical expenses, itemized, 33
 - mortgage insurance, 115–116
- Intellectual property donations, 183–184
- Interest. *See* Borrowing and interest
- Investing, 215–251
 - about, 215–216
 - bank deposits, loss on, 217–221
 - bond premium, amortization of, 237–238
 - capital gains and qualified dividends, 224–225
 - capital losses, 221–224
 - early withdrawal of savings, penalty on, 216–217
 - empowerment zone assets, gain on, 244–246
 - financial advice, fees for, 235–237
 - foreign taxes on investments, 246–248
 - home computer used for, 234–235
 - incentive stock options, exercise of, 248–250
 - interest related to, 314–315
 - margin interest and other investment-related borrowing, 230–232
 - municipal bonds, 239–240
 - Ponzi schemes, losses from, 250–251
 - safe-deposit box rental fee, 232
 - savings bonds, 83–86, 240–242
 - Section 1244 stock, loss on, 228–229
 - small business stock, gain on sale of, 242–244
 - subscriptions to investment newsletters and online services, 233
 - worthless securities, 225–228
- Investment newsletter subscriptions, 233
- IRAs. *See* Roth IRAs; Traditional IRAs; Individual retirement accounts (IRAs)
- IRS appraisal, 179
- Job, 342–372. *See also* Employer; Job-related
 - education
 - about, 342–343
 - dues to unions and professional associations, 345–346
 - educator expenses, 354
 - expenses, miscellaneous, 352–353
 - fringe benefits, 365–369
 - home office deduction, 297–302, 355–356, 391–393
 - impairment-related expenses, 362–363
 - income earned abroad, 369–372
 - job-hunting expenses, 343–345
 - jury duty pay turned over to employer, 361–362
 - military benefits, 363–365
 - moving expenses, 131–135, 266
 - performing artists, 357–358
 - prizes and awards, 356–357
 - state/local government officials paid on fee basis, 359
 - subscriptions to professional journals and newsletters, 349–350
 - supplemental unemployment benefits, repayment of, 359–361
 - work clothes and uniforms, 346–349
 - work tools and equipment, 350–352

448 INDEX

- Job-hunting expenses, 343–345
- Job-related education, 75–78
 - deductible courses, examples of, 76–77
 - education expenses, eligible, 77
 - employed or self-employed, 76
 - maintain/improve skills required by employer or by law, 76
 - minimum job requirements, 76
 - nondeductible courses, examples of, 77
 - not a new line of work, 77
- Journal/newsletter subscriptions, professional, 349–350
- Jury duty pay turned over to employer, 361–362

- Late payment penalties, 114–115
- Legal fees, 339, 414–416
 - deductible, 415
 - insurance and catastrophes, 339
 - miscellaneous items, 414–416
 - nondeductible, 416
- Life insurance proceeds, 421
- Lifetime learning credit, 73–75
 - higher education, 74–75
 - student, eligible, 74
- Loan(s). *See also* Mortgage(s)
 - after-tax income or capital, 320–321
 - bad debts, 319–323
 - below-market, 317–319
 - forgiveness, 323
 - home equity, 106–108
 - late payment penalties, 114–115
 - student, 81–83, 97–98, 314
- Local overnight stays, 254
- Local taxes:
 - income, 406–407
 - sales, 407–408
- Long-term care coverage, 41–43
 - deduction, conditions for, 42
 - exclusion, conditions for, 42–43
- Losses:
 - bank deposit, 217–221
 - capital, 221–224
 - casualty and theft, 218–219, 325–330
 - disaster, 330–333
 - gambling, 287–290
 - hobby, 388–390
 - investment Ponzi scheme, 250–251
 - net operating, 402–404
 - ordinary, 219
 - Section 1244 stock, 228–229
- Low-income housing credit, 307–309
 - building, low-income housing, 308

- Margin interest and other investment-related borrowing, 230–232
 - borrowing for investment purposes, 230
 - net investment income, 230–231
- Married performing artists, 358
- Meals and entertainment, 274–279. *See also* Entertainment
 - “associated with” test, 276
 - “directly related” test, 275
 - fifty percent limitation, 277–278
 - lavish and extravagant, 278
 - meals away from home, 276
 - standard meal allowance, 276–277
- Medical expenses, 28–64. *See also* Health insurance; Medical expenses, itemized
 - about, 28–29
 - accelerated death benefits, 61–63, 337–339
 - Archer Medical Savings Accounts, 52–56
 - COBRA coverage, 56–58
 - continuing care facilities and nursing homes, 60–61
 - decedent’s final illness, 63–64
 - flexible spending arrangements for health care, 44–46
 - health insurance credit for eligible recipients, 38–41
 - health insurance deduction, self-employed, 37–38
 - health reimbursement arrangements, 46–47
 - Health Savings Accounts, 47–52
 - long-term care coverage, 41–43
 - Medicare, 58–60
- Medical expenses, itemized, 29–37
 - dental services, 31
 - equipment and supplies, 31–32
 - home improvements, 32
 - insurance, 33
 - medicine and drugs, 33
 - professional services, 30–31
 - tests, 33
 - travel, 35, 263–265
 - treatments and programs, 33–35

- Medical Savings Accounts (MSAs). *See*
 - Archer Medical Savings Accounts (MSAs)
- Medical travel, 35, 263–265
- Medicare, 48, 58–60, 367, 368
- Medicine and drugs, 33
- Membership fees to nonprofit organizations, 191–192
- Mental health conditions and substance abuse screening, 50
- Metabolic, nutritional, and endocrine condition screening, 50
- Mileage rate, standard, 199
- Military benefits, 363–365
 - tax-free benefits, 363–364
- Military reservist travel, 269
- Minimal fringe benefits, 365–367
- Minister's housing allowance, 125–126
- Miscellaneous items, 405–428
 - about, 405–406
 - alternative minimum tax, 428
 - estate tax deduction on income in respect of decedent, 422–423
 - federal taxes, certain, 409
 - gifts you receive, 416–418
 - government benefits, 425–428
 - income taxes, state/local, 239, 240, 406–407
 - inheritances, 418–420
 - job-related expenses, 352–353
 - legal fees, 414–416
 - life insurance proceeds, 421
 - rebates and discounts, 424
 - sales taxes, state/local, 407–408
 - tax audits, 412–414
 - tax preparation costs, 411–412
 - tax refunds, 409–411
- Mortgage insurance, 115–116
- Mortgage(s):
 - about, 100–101
 - acquisition indebtedness, 101–102
 - cancellation of debt, 117–118
 - debt secured by the home, 102
 - late payment penalties, 114–115
 - mortgage interest tax credit, 104–106, 314
 - personal liability, 103
 - refinancing, 110–112
 - reverse, 116–117
 - two-residence limit, 102–103
- Moving expenses:
 - about, 131–132
 - distance test, 133
 - nondeductible, 135
 - time test, 133–134
 - travel expenses, deductible, 132, 266
- MSAs. *See* Archer Medical Savings Accounts (MSAs)
- Municipal bonds, 239–240
- Musculoskeletal disorders screening, 50
- National Guard and military reservist travel, 269
- Net operating losses, 402–404
- Newsletter subscriptions, professional, 349–350
- No-additional-cost services, 367
- Nondeductible items. *See also specific items*
 - business expenses, 399
 - checklist of, 436–440
 - courses, 71
 - decedents, expenses for, 64
 - legal fees, 416
 - moving expenses, 135
- Nonprofit organizations, membership fees to, 191–192
- Nursing homes, 60–61
- Nutritional screening, 50
- Obstetric and gynecologic conditions screening, 51
- Online service subscriptions, 233
- Ordinary loss, 219
- Overvaluations, penalty for, 179–180
- Passive loss limitations:
 - rentals, 303–304
 - vacation home, 294–295
- Penalties:
 - contributions, excess, 144–145
 - distribution, early, 144
 - late payment, 114–115
 - overvaluations, 179–180
 - prepayment, 113–114
 - savings, early withdrawal of, 216–217
 - withdrawals, insufficient, 145
- Per diem rates:
 - business travel, 256
 - meal allowance, 276

450 INDEX

- Performing artists, 357–358
 - married individuals, special rule for, 358
- Personal exemption, 2–3
- Plug-in electric vehicles, 211–212, 214
- Points, 108–110
 - deductibility, immediate, 108–109
 - deductibility over term of loan, 109
- Ponzi schemes, losses from, 250–251
- Prepayment penalties, 113–114
- Prizes and awards, 356–357
- Professional association dues, 345–346
- Professional journal/newsletter
 - subscriptions, 349–350
- Professional medical services, 30–31
- Professionals having deductible work
 - clothes/uniforms, 347–348
- Property, appreciated. *See* Appreciated property donations
- Qualified tuition programs (529 plans), 92–95
 - expenses, qualified, 93
 - tuition programs, qualified, 93
- Real estate, 291–312
 - about, 291–292
 - disaster victims, special breaks for, 312
 - donated for conservation purposes, 184–186
 - energy-efficient commercial buildings, deduction for, 311–312
 - home office, 297–302, 355–356, 391–393
 - low-income housing credit, 307–309
 - rehabilitation credit, 309–311
 - rentals, 293, 302–307
 - vacation home, 292–297
- Real estate taxes, 122–124
- Rebates and discounts, 424
- Recordkeeping:
 - charitable giving, 196
 - meals and entertainment expenses, 287, 288
 - travel expenses, 271–272
- Refinancing mortgages, 110–112
- Refunds, tax, 409–411
- Rehabilitation credit, 309–311
 - historic structures, 309–310
 - minimum rehabilitation, 310
 - pre-1936 buildings, 310
- Rentals:
 - real estate, 293, 302–307
 - safe-deposit box, 232
- Retirement planning advice, employer-paid, 168–169
- Retirement saver's credit, 164–167
 - individual, eligible, 166
 - modified adjusted gross income limit, 166
 - qualified retirement savings contributions, 165–166
- Retirement savings, 139–169
 - about, 139–140
 - charitable transfers of IRA distributions, 169, 195–196
 - custodial/trustee fees, 167–168
 - 401(k) and similar plans, 154–156
 - IRA rollovers, 152–153
 - retirement planning advice, employer-paid, 168–169
 - retirement saver's credit, 164–167
 - Roth IRAs, 147–151
 - self-employed retirement plans, 156–159
 - SEPs, 159–161
 - SIMPLEs, 161–164
 - traditional IRAs, 140–147
- Reverse mortgages, 116–117
- Roth IRAs, 147–151. *See also* Traditional IRAs; Individual retirement accounts (IRAs)
 - conversion to, 147, 149
 - deduction, claiming, 142–143
 - modified adjusted gross income limit, 147–148
 - withdrawals, tax-free, 149
- Safe-deposit box rental fee, 232
- Sales taxes, state/local, 407–408
- Savings, early withdrawal of, 216–217
- Savings bonds, 83–86, 240–242
 - bonds, eligible, 84
 - modified adjusted gross income limit, 84–85
 - qualified use of redemption proceeds, 85
 - taxpayer, eligible, 84
- Savings incentive match plans for employees (SIMPLEs), 161–164
 - elective deferral limit, 162
 - required employer contribution, 162–163
- Scholarships, fellowships, and grants, 68–69
- School athletic event tickets, 190

- Screening services treated as medical expenses, 49–51
- Section 1244 stock, loss on, 228–229
dollar limit, 229
Section 1244 requirements, 228–229
- Securities, worthless, 225–228
- Self-employed individuals:
business use of personal car, 203
health insurance deduction, 37–38
retirement plans, 156–159
self-employment tax deduction, 390
- Seminars, 95–96
- SEPs (simplified employee pensions), 159–161
- Services:
business, 381–384
no-additional-cost, 367
payment for, 381–384
professional medical, 30–31
- SIMPLEs (savings incentive match plans for employees), 161–164
elective deferral limit, 162
required employer contribution, 162–163
- Simplified employee pensions (SEPs), 159–161
- Skyboxes and private luxury boxes, 281
- Small business stock, gain on sale of, 242–244
- Social Security:
benefits, 426–427
taxes, 367, 368
- Solar power and fuel cells, 137
- Sporting and theater events, 280–284
“associated with” test, 282
“directly related” test, 282
school athletic events, 190
skyboxes and private luxury boxes, 281
tickets to sports events benefiting charity, 189–191, 281–282
- Start-up business costs, 374–376
- State/local government officials paid on a fee basis, 359
- State taxes:
income, 239, 240, 406–407
sales, 407–408
- Stock(s):
options, exercise of, 248–250
Section 1244 stock, loss on, 228–229
small business stock, gain on sale of, 242–244
worthless, 225–228
- Student exchange program, 192–193
- Student loans:
cancellation, 97–98
interest, 81–83, 314
- Subscriptions:
to investment newsletters and online services, 233
to professional journals and newsletters, 349–350
- Substance abuse screening, 50
- Supplemental unemployment benefits, repayment of, 359–361
- Supplies:
business, 384–386
medical, 31–32
- Taxable government benefits, 427–428
- Tax audits, 412–414
exhaust administrative remedies, 413
IRS position not substantially justified, 413
net worth requirements, 413–414
reasonable reimbursement, 413
substantially prevail against IRS, 413
- Tax credits. *See* Credit(s)
- Tax-free items. *See also specific items*
checklist of, 432–435
government benefits, 425–426
Health Savings Accounts withdrawals, 49
military benefits, 363–364
Roth IRAs withdrawals, 149
vacation home rental income, 293
- Tax preparation costs, 411–412
- Tax refunds, 409–411
- Temporary work assignments, 258–261
away from home, 259–260
definition of, 259
regular place of business, 259
- Tests, medical, 33
- Theft losses. *See* Casualty and theft losses
- Tickets to fund-raisers, raffles, and sporting events, 189–191, 281–282
- Tools, work, 350–352
- Traditional IRAs, 140–147. *See also* Roth IRAs; Individual retirement accounts (IRAs)
account losses, 146
under age 70½, 141–142
borrowing limitations, 146
cash contributions, 142
conversion to Roth IRA, 147, 149

452 INDEX

- Traditional IRAs (*Continued*)
 - early distribution penalties, 144
 - earned income, 141
 - excess contributions penalty, 144–145
 - investment limitations, 145–146
 - penalty for insufficient withdrawals, 145
- Transportation fringe benefit, 367
- Travel, 252–272
 - about, 252–253
 - business, 253–258
 - charitable, 265–266
 - conventions, 261–263
 - educational, 96–97, 266–269
 - frequent flier miles, 270–271
 - medical, 35, 263–265
 - moving expenses, 132, 266
 - National Guard and military reservist
 - travel, 269
 - recordkeeping for, 271–272
 - temporary work assignments, 258–261
- Treatments and programs, medical, 33–35
- Trustee fees, for retirement savings, 167–168
- Tuition and fees deduction, 78–81
 - educational institution, eligible, 79
 - modified adjusted gross income limit,
 - 79–80
 - no education credit, 80
 - qualified expenses, 79
 - taxpayer, eligible, 79
- Tuition programs (529 plans), 92–95
 - expenses, qualified, 93
 - tuition programs, qualified, 93
- Tuition reduction, 67
- Unemployment benefits, repayment of
 - supplemental, 359–361
- Union dues, 345, 346
- United States:
 - citizen/resident child, adoption costs for,
 - 21
 - part-business trips within, 254–255
- Used clothing and car donations, 181–183,
 - 211
- Vacation home, 292–297
 - business deductions, 293–294
 - passive loss limitations, 294–295
 - tax-free rental income, 293
- Vascular diseases screening, 50
- Vehicle registration fees, 206–207
- Vehicles. *See* Cars
- Vision and hearing disorders screening,
 - 51
- Volunteer expenses, 187–189
- Washington, DC:
 - empowerment zone assets, gain on,
 - 245–246
 - homebuyer credit, 120–121
- Wash sale rule, 222–223
- Work. *See* Job
- Work clothes and uniforms, 346–349
 - cleaning expenses, deductible, 348
 - professionals having deductible work
 - clothes and uniforms, 347–348
- Worker classification, 382
- Working condition fringe benefits,
 - 367
- Work tools and equipment, 350–352
- Worthlessness:
 - bad debts, 321
 - securities, 225–228