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## **Paying Your Taxes—Applications**

### **Checklist: Nondeductible Expenses**

Determining what is and what is not a deductible expense can be a frustrating and inexact exercise. Particularly daunting is the fact that if you make the wrong determination about an expense, it could result in an audit, interest, and penalties. Below is a checklist for you to use in identifying expenses the IRS has determined are not deductible. The list is not all-inclusive, but contains the most common nondeductible expenses. In other words, do not assume that just because an expense is not on this list it can be deducted.

- Broker's commissions that have been paid in relation to your IRA or other investment property.
- Burial or funeral expenses, including the cost of a cemetery lot.
- Capital expenses.
- Car licenses.
- Marriage licenses.
- Dog tags.
- Home repair, insurance, and rent.
- Hobby losses.
- Illegal bribes or kickbacks.
- Personal disability insurance premiums.
- Personal living or family expenses.
- The value of wages that were never received.
- Lost vacation or sick time.
- Campaign expenses and legal fees associated with running a campaign.
- Check-writing fees on a personal checking account.

- \_\_\_ Membership dues for any club organized for business, pleasure, recreation, or other social purpose. This does not include professional societies.
- \_\_\_ The cost of transportation between your home and your main or regular place of work.
- \_\_\_ Fines or penalties paid to a government entity for violating a law.
- \_\_\_ Health club expenses, even if you are required to stay in shape for your job.
- \_\_\_ Homeowners' insurance premiums.
- \_\_\_ Home security systems, assuming you do not have a home office in your home.
- \_\_\_ Expenses related to attending a convention, seminar, or similar meeting for investment purposes.
- \_\_\_ Life insurance premiums, unless they are part of an alimony payment.
- \_\_\_ Lobbying expenses to influence legislation, to participate in any political campaign for or against a candidate, to influence the public in regard to elections, legislative matters, or referendums, or to communicate directly with branch office officials to influence official actions.
- \_\_\_ Any portion of a contribution to a tax-exempt organization that is used for lobbying purposes.
- \_\_\_ Expenses related to eating lunch with your coworkers, except while away on business.
- \_\_\_ Expenses related to meals necessitated by working late unless you are out of town or it is part of entertaining clients.
- \_\_\_ Legal expenses associated with gaining custody of your children.
- \_\_\_ Legal expenses associated with civil or criminal charges resulting from a personal relationship.
- \_\_\_ What you have to pay in damages in a personal injury suit.
- \_\_\_ Legal fees associated with preparing a will.
- \_\_\_ What you have to pay in a divorce settlement.
- \_\_\_ Contributions made to a political candidate, campaign committee, or newsletter fund.
- \_\_\_ Accounting certificate fees for the initial right to practice accounting.

- \_\_\_ Bar exam fees and other incidental expenses in obtaining admission to the bar.
- \_\_\_ Medical and dental license fees to obtain initial licensing.
- \_\_\_ Expenses associated with radio and television appearances meant to increase your personal prestige or professional reputation.
- \_\_\_ Contributions made to a coworker who can not work due to illness or job-related injuries.
- \_\_\_ Basic local telephone service charges for the first telephone line to your residence, regardless of whether it is used for business.
- \_\_\_ Expenses associated with attending shareholder meetings if your only association with the company is your stock investment.
- \_\_\_ Expenses associated with producing tax-exempt income.
- \_\_\_ Interest on a debt incurred to purchase tax-exempt securities.
- \_\_\_ The cost of a wristwatch, even if your job requires strict timeliness.
- \_\_\_ Clothing for work that that is not worn as a condition of employment or is suitable for everyday wear.
- \_\_\_ Most personal interest.
- \_\_\_ Most service charges.
- \_\_\_ Annual fees on personal credit cards.
- \_\_\_ Finance charges on credit cards, installment contracts, and revolving charge accounts incurred for personal expenses.
- \_\_\_ Late payment charges by a public utility.
- \_\_\_ Federal income taxes.
- \_\_\_ Most estate, inheritance, legacy, or other succession taxes.
- \_\_\_ Gift taxes.
- \_\_\_ Social security taxes withheld from your pay.