



## D.6. - REPEAL OF CERTAIN MISCELLANEOUS ITEMIZED DEDUCTIONS SUBJECT TO THE TWO-PERCENT FLOOR

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Pre-Reform Law	Tax Cuts & Jobs Act	Effective Date	I.R.C. Sections
<p>Individuals may claim itemized deductions for certain miscellaneous expenses. Certain of these expenses are not deductible unless, in aggregate, they exceed two percent of the taxpayer's adjusted gross income ("AGI"). The deductions described below are subject to the aggregate two-percent floor.</p> <p><b><u>Expenses for the production or collection of income</u></b></p> <p>Individuals may deduct all ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income.</p> <p>Present law and IRS guidance provide examples of items that may be deducted under this provision. This non-exhaustive list includes:</p> <ul style="list-style-type: none"><li>• Appraisal fees for a casualty loss or charitable contribution;</li><li>• Casualty and theft losses from property used in performing services as an employee;</li><li>• Clerical help and office rent in caring for investments;</li><li>• Depreciation on home computers used for investments;</li><li>• Excess deductions (including administrative expenses) allowed a beneficiary on termination of an estate or trust;</li><li>• Fees to collect interest and dividends;</li><li>• Hobby expenses, but generally not more than hobby income;</li><li>• Indirect miscellaneous deductions from pass-through entities;</li><li>• Investment fees and expenses;</li></ul>	<p><b>1. In General.</b> The provision suspends all miscellaneous itemized deductions that are subject to the two-percent floor under present law.<sup>1</sup> Thus, under the provision, taxpayers may not claim Miscellaneous Itemized Deductions<sup>2</sup> as itemized deductions for the taxable years to which the suspension applies.</p> <p><b>2. Applicable Suspension Period.</b> The provision applies for taxable years beginning after December 31, 2017 and does not apply for taxable years beginning after December 31, 2025.<sup>3</sup></p> <p><sup>1</sup> I.R.C. § 67(g). <sup>2</sup> I.R.C. § 67(b). <sup>3</sup> I.R.C. § 67(g). <sup>4</sup> Tax Cuts and Jobs Act § 11046(b).</p>	<p>The provision is effective for taxable years beginning after December 31, 2017.<sup>4</sup></p>	<p>§ 62 § 67 § 212</p>



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<ul style="list-style-type: none"><li>• Loss on deposits in an insolvent or bankrupt financial institution;</li><li>• Loss on traditional IRAs or Roth IRAs, when all amounts have been distributed;</li><li>• Repayments of income;</li><li>• Safe deposit box rental fees, except for storing jewelry and other personal effects;</li><li>• Service charges on dividend reinvestment plans; and</li><li>• Trustee's fees for an IRA, if separately billed and paid.</li></ul> <p><b><u>Tax preparation expenses</u></b></p> <p>For regular income tax purposes, individuals are allowed an itemized deduction for expenses for the production of income. These expenses are defined as ordinary and necessary expenses paid or incurred in a taxable year: (1) for the production or collection of income; (2) for the management, conservation, or maintenance of property held for the production of income; or (3) in connection with the determination, collection, or refund of any tax.</p> <p><b><u>Unreimbursed expenses attributable to the trade or business of being an employee</u></b></p> <p>In general, unreimbursed business expenses incurred by an employee are deductible, but only as an itemized deduction and only to the extent the expenses exceed two percent of adjusted gross income.</p> <p>Present law and IRS guidance provide examples of items that may be deducted under this provision. This non-exhaustive list includes:</p> <ul style="list-style-type: none"><li>• Business bad debt of an employee;</li><li>• Business liability insurance premiums;</li></ul>			<p>§ 62 § 67 § 212</p>



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<ul style="list-style-type: none"><li>• Damages paid to a former employer for breach of an employment contract;</li><li>• Depreciation on a computer a taxpayer's employer requires him to use in his work;</li><li>• Dues to a chamber of commerce if membership helps the taxpayer perform his job;</li><li>• Dues to professional societies;</li><li>• Educator expenses;</li><li>• Home office or part of a taxpayer's home used regularly and exclusively in the taxpayer's work;</li><li>• Job search expenses in the taxpayer's present occupation;</li><li>• Laboratory breakage fees;</li><li>• Legal fees related to the taxpayer's job;</li><li>• Licenses and regulatory fees;</li><li>• Malpractice insurance premiums;</li><li>• Medical examinations required by an employer;</li><li>• Occupational taxes;</li><li>• Passport fees for a business trip;</li><li>• Repayment of an income aid payment received under an employer's plan;</li><li>• Research expenses of a college professor;</li><li>• Rural mail carriers' vehicle expenses;</li><li>• Subscriptions to professional journals and trade magazines related to the taxpayer's work;</li><li>• Tools and supplies used in the taxpayer's work;</li><li>• Purchase of travel, transportation, meals, entertainment, gifts, and local lodging related to the taxpayer's work;</li><li>• Union dues and expenses;</li></ul>			<p>§ 62 § 67 § 212</p>



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<ul style="list-style-type: none"><li>• Work clothes and uniforms if required and not suitable for everyday use; and</li><li>• Work-related education.</li></ul> <p><b><u>Other miscellaneous itemized deductions subject to the two-percent floor</u></b></p> <p>Other miscellaneous itemized deductions subject to the two-percent floor include:</p> <ul style="list-style-type: none"><li>• Repayments of income received under a claim of right (only subject to the two- percent floor if less than \$3,000);</li><li>• Repayments of Social Security benefits; and</li><li>• The share of deductible investment expenses from pass-through entities.</li></ul>			<p>§ 62 § 67 § 212</p>