**8518. What are itemized deductions and how are they deducted?**

As discussed in Q8515, taxpayers are entitled to a “below-the-line” deduction, i.e., a deduction from adjusted gross income in arriving at taxable income, of the greater of 1) the applicable standard deduction (including the additional standard deduction for taxpayers who are blind and/or age 65 or older based on filing status); or, 2) the sum of their itemized deductions. So, in order to make a determination as to which amount to deduct, the taxpayer must total all deductible items that qualify as itemized deductions. If the total amount of itemized deductions exceeds the standard deduction, the taxpayer deducts that larger sum.

The following is a non-exhaustive list of the itemized deductions:

…Interest (including mortgage interest on a principal residence), within limits (see Q 8522);

…Personal expenses for the production or collection of taxable income, within limits, or in conjunction with the determination, collection or refund of any tax (but some of these expenses may be considered “miscellaneous itemized deductions” (see Q 8521)). However, certain business expenses and expenses for the production of rents and royalties are above the line deductions rather than itemized deductions;

…Personal taxes of the following types: state, local and foreign real property taxes; state and local personal property taxes; state, local and foreign income, war profits and excess profits taxes, and the generation-skipping tax imposed on income distributions. If taxes other than these are incurred in connection with the acquisition or disposition of property, they must be treated as part of the cost of such property (included in basis) or as a reduction in the amount realized on the disposition;[[1]](#footnote-1)

…Uncompensated personal casualty and theft losses. These are deductible only to the extent that the aggregate amount of uncompensated losses in excess of $100 (for each casualty or theft) exceeds 10 percent of adjusted gross income. The taxpayer must file a timely insurance claim for damage to property that is not business or investment property or else the deduction is disallowed to the extent that insurance would have provided compensation.[[2]](#endnote-1) Uncompensated casualty and theft losses in connection with a taxpayer’s business or in connection with the production of income are deductible in full. For more on casualty losses, see Q 8617 to Q 8628;

…Contributions to charitable organizations, within certain limitations (see Q 8523 to Q 8526);

…Unreimbursed medical and dental expenses, and expenses for the purchase of prescribed drugs or insulin incurred by the taxpayer for himself and his spouse and dependents, to the extent that such expenses exceed 10 percent of adjusted gross income (7.5 percent of adjusted gross income for taxpayers 65 or older) (see Q 8527);

…Unreimbursed expenses of an employee connected with his employment. Generally, such expenses are “miscellaneous itemized deductions” (see Q 8521);

…Federal estate taxes and generation-skipping transfer taxes paid on “income in respect of a decedent.”

1. . IRC Sec. 164(a). [↑](#footnote-ref-1)
2. IRC Sec. 165(h)(5)(E) [↑](#endnote-ref-1)