**8520. What are miscellaneous itemized deductions? To what extent are they deductible?**

“Miscellaneous itemized deductions” are a subset of itemized deductions *other than* the regular itemized deductions for (1) interest, (2) taxes, (3) non-business casualty losses and gambling losses, (4) charitable contributions, (5) medical and dental expenses, (6) impairment-related work expenses for handicapped employees, (7) estate taxes on income in respect of a decedent, (8) certain short sale expenses, (9) certain adjustments under the IRC claim of right provisions, (10) unrecovered investment in an annuity contract, (11) amortizable bond premium, and (12) certain expenses of cooperative housing corporations.[[1]](#footnote-1)

Examples of miscellaneous itemized deductions include unreimbursed employee business expenses, such as professional society dues or job hunting expenses, and expenses for the production of income, such as investment advisory fees or the cost for storage of taxable securities in a safe deposit box.[[2]](#footnote-2)

“Miscellaneous itemized deductions” are included in the itemized deduction pool only to the extent that the aggregate of all miscellaneous itemized deductions for the tax year exceeds 2 percent of adjusted gross income.[[3]](#footnote-3) Expenses that relate to both a trade or business activity (an above-the-line deduction) and a production of income or tax preparation activity must be allocated between the activities on a reasonable basis.[[4]](#footnote-4)

*Example:* In 2014, Asher a single taxpayer has adjusted gross income of $100,000. His deductible mortgage interest and property taxes (regular itemized deductions) total $4,000. In addition, Asher has unreimbursed employee business expenses of $2,500. Because unreimbursed employee business expenses are miscellaneous itemized deductions, they are deductible and added to the total of Asher’s other regular itemized deductions only to extent they exceed 2% of his adjusted gross income. In this case, Asher’s miscellaneous itemized deductions of $2,500 exceed $2,000 (2% of adjusted gross income) by $500. As a result, Asher’s total itemized deductions would be $4,500 ($4,000 plus $500). However, because the standard deduction for a single filer is $6,200, Asher would deduct the higher standard deduction amount.

A taxpayer may not avoid the treatment of an item that would be a miscellaneous itemized deduction by virtue of it passing through to him or her through an entity such as a partnership or S corporation.[[5]](#endnote-1)

*Example:* Ashley is a 50% partner in a partnership engaging in an activity for the production of income. In 2014, Ashley’s allocable share of section 212 production of income deductible expenses is $200. Even though Ashley did not directly incur that expense, she must treat the $200 deductible items as a miscellaneous itemized deduction. Thus, she must add the $200 to all her other miscellaneous deductions to determine whether the aggregate amount of those items exceed 2% of her adjusted gross income.[[6]](#endnote-2)

1. . IRC Sec. 67(b). [↑](#footnote-ref-1)
2. . Temp. Treas. Reg. §1.67-1T(a)(1). [↑](#footnote-ref-2)
3. . IRC Sec. 67(a). [↑](#footnote-ref-3)
4. . Temp. Treas. Reg. §1.67-1T(c). [↑](#footnote-ref-4)
5. IRC Sec. 67(c)(1); Temp. Treas. Reg. §1.67-2T. [↑](#endnote-ref-1)
6. Temp. Treas. Reg. §1.67-2T(b)(2) Example [↑](#endnote-ref-2)