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Tax Deductions You Won't Believe

While Americans are entitled to take every legitimate deduction to manage their taxes, the Internal Revenue Service (IRS) places limits on your creativity. Here are some examples of deductions from the IRS that were permitted and some that were, well, too creative.¹

Creative Deductions That Passed Muster

Usually a child's school-related costs are not deductible. However, one taxpayer was allowed to deduct the cost of travel, room, and board as a medical expense for sending a child with respiratory problems to a school in Arizona.

Pet food typically doesn't qualify as a write-off, except in the case where a business owner successfully argued that it was a legitimate expense to feed a cat protecting their inventory from vermin.

Does your child have an overbite? If so, you may find that the IRS is okay with a medical deduction for the cost of a clarinet (and lessons) to correct it.

A deduction for a swimming pool won't float with the IRS, except if you have emphysema and are under doctor's orders to improve breathing capacity through exercise. The deduction, however, was limited to the cost that exceeded the increase in property value. And yes, ongoing maintenance costs are deductible as medical expenses.

Deductions that Were Too Creative

The cost of a mink coat that a business owner bought for his wife to wear to dinner for entertaining clients was denied even though he claimed it was an integral part of dinner conversation and provided entertainment value.

Despite having dry skin, one taxpayer was denied a deduction for bath oil as a medical expense.

Losses associated with theft may be deductible, but one taxpayer went too far in deducting the loss of memories when her photos and other life souvenirs were discarded by her landlord.

One business owner reported an insurance payment as income, but then deducted the cost of the arsonist as a "consulting fee."

Don't expect taxpayers to pay for enhancements to self-image. Just ask the ballerina who tried to deduct a tummy tuck or the woman who tried to write off her Botox expenses.

Creativity is not something that the IRS typically rewards, so you should be careful testing the limits of its understanding. Seek the counsel of an experienced tax or legal professional for specific information regarding your situation.

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