

# Tax Deductions, *from page 5*

ment if you're not sure.

## • **Miscellaneous Tax Deductions** -

Most of the remaining deductions are subject to a limitation similar to, but less stringent than, the one for medical expenses. To determine if you can include these review the miscellaneous deductions listed below and add up the ones you can take. Calculate 2% of your Adjusted Gross Income (AGI) and compare the two figures. You get a deduction to the extent that the total of miscellaneous deductions exceeds 2% of your AGI. Examples of qualifying miscellaneous expenses that you could deduct include:

Dues you pay to a union or a professional organization in connection with your employment

Subscriptions to magazines and other publications that are related to your work

Business liability insurance premiums

The cost of protective work clothing, such as hard hats or safety shoes and glasses, and the cost of uniforms you're required to wear to work

Tools and supplies used in your work

Medical examinations required by an employer

Tuition for classes that maintain or improve the skills required for your present job

Expenses you incur while looking for a job in the same line of work you normally do (for example, résumé costs, career counseling and employment agency fees)

Depreciation on your computer or cellular phone, but only for the part of the time you use your equipment to keep track of your taxable investments (stocks, bonds, mutual funds) or as part of your job, if required by your employer.

The fees you're charged by your financial institution to maintain your IRA account, but only if you pay them from funds outside of your IRA account (if your financial institution just deducts the maintenance fees directly from your IRA, you can't deduct them)

Safe deposit box rental fees, if you use the box to store stocks, bonds or

other investment-related documents (if you just store jewelry and other personal items there, the fees aren't deductible)

What you pay to get your taxes done, whether it's by a professional or with tax preparation software. You can also deduct the cost of any books or publications that help you with preparing your return, and if you file your return electronically, you can deduct any costs associated with that process

Legal fees that you pay to protect your taxable income, or to produce your taxable income (This includes fees for legal assistance for helping you keep your job, for tax planning or investment counseling, or for handling an audit of your tax return. Legal fees for divorces specifically related to helping you collect alimony payments, or for advice about the taxability of your alimony. You can only deduct legal fees that you pay in your efforts to collect income that's taxable to you.)

There are a few miscellaneous expenses that guarantee tax savings to itemizers because they are deductible without regard to the 2% threshold. For example, if you're involved in estates, trusts and investments, or if you have significant job-related expenses, it's worth your time to investigate a bit further. For more information, see IRS Publication 529: Miscellaneous Deductions. These three most likely deductions applicable to taxpayers are:

**Amortizable Bond Premium.** The amount over face value that you pay for certain bonds because they are paying higher-than-current-market interest rates.

**Gambling Losses.** This write-off comes with its own restriction. You can't deduct more than the amount of gambling winnings you report as taxable income.

**Federal Estate Tax on Income in Respect of a Decedent.** This is becoming an increasingly important deduction as more and more taxpayers inherit money in company retirement plans or traditional IRAs. Such amounts are considered "income in respect of a decedent" because the decedent had a right

to the income at the time of death, but the income is not included on the person's final tax return. Instead, the beneficiary is taxed on the amounts. You might also deserve a deduction, though, if the decedent's estate was large enough to pay federal estate taxes. Say, for example, that you inherit a \$50,000 IRA which, because it was included in your mother's taxable estate, boosted the estate tax bill by \$20,500. Although you have to pay tax as you pull money out of the IRA, you also get a deduction for that \$20,500. If you pull the full \$50,000 out at once, you'd get the full deduction. If you pull it out equally over two years, you'd deduct \$10,250 each year. This miscellaneous deduction is not subject to the 2% limit but it's up to you to know the rules to take advantage of them.

## Claims backlog

The 2011 Veterans Affairs Department budget unveiled Jan. 1 by the White House includes what VA officials called an "unprecedented" 27% funding increase for the Veterans Benefits Administration, some of which will be used to hire 4,000 permanent employees to process benefits claims. The increase does not mean disability, pension and survivors claims will be processed faster, however. In an admission that comes as no surprise to few who have been watching the VA struggle with a backlog of benefits claims, Michael Walcoff, VA's acting undersecretary for benefits, said veterans should be prepared for the average claims processing time to be longer in fiscal 2011 than it is today. The reason? Even though more workers are being hired, VA officials expect a big jump in the number of Vietnam-era veterans filing Agent Orange-related claims due to newly expanded eligibility.

It takes an average of 158 days to process a benefit claim today, Walcoff said. He expects that will rise to 190 days in 2011, at least for the first few months of the year, as new employees are hired and trained and a flood of complicated claims requesting retroactive benefits are received from Vietnam veterans. "Dealing with the claims

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