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Volume Author/Editor: C. Harry Kahn

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Chapter Author: C. Harry Kahn

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APPENDIX E

Items Included in Miscellaneous Deductions

NOTES TO TABLE 12

The miscellaneous deductions category has always included business expense items. From 1944 on it has contained only those expenses of a business or professional nature which were incurred by persons not required to use the business schedules of the tax return, that is, mainly expenses incurred in the production of income of wage and salary earners and of investors and rentiers. But before 1944 some other business expenses were also included in the miscellaneous category, particularly whenever a schedule within a return reported a net loss.

Below are listed the main business expense and loss items, as well as some which have been included earlier in the miscellaneous category and later eliminated. The dates in parentheses are for the last year that each allowance was included in miscellaneous:

1. Capital net losses (1923)
2. Net losses from sales of real estate, stocks, bonds, etc., held less than two years (1925)
3. Net losses from business and partnerships (1929)
4. Gambling losses in excess of gambling gains (1933)
5. Amounts distributed to beneficiaries as reported on fiduciary returns (1936)
6. Bad debts (1938)
7. Net operating loss deductions resulting from unabsorbed net operating losses from business, partnerships, and common trust funds, for two preceding taxable years (1940-1943)
8. Current year net losses from rents and royalties (1943)

Business expense and loss items still included, as of the most recent year, are:

1. Gambling losses not exceeding gambling gains (since 1913)
2. Amortizable bond premiums (since 1943)
3. Expenses incurred in the production and collection of taxable income, or in the management of property held for the production of taxable income (since 1942)
4. Expenses in connection with taxpayer's job, such as union dues, tools and supplies, and employment agency fees (since 1945)