

Subject 406

Miscellaneous Expenses

Certain employee expenses, expenses for producing income, and other qualifying expenses are deducted as miscellaneous itemized deductions on Form AR3.

Most miscellaneous deductions are subject to a 2% limit. This means you must subtract 2% of your adjusted gross income from the total miscellaneous deductions. The 2% subtraction is applied after all other deduction limits are considered.

Some expenses subject to the 2% limit include:

1. Dues paid to professional societies.
2. Required employment-related educational expenses.
3. Office in the home expenses required by your employer.
4. Expenses of looking for a new job within the same trade or business.
5. Professional books or journals.
6. Union dues and fees.
7. Mileage, plus 50% of business-related meal and entertainment expenses from Federal Form 2106.
8. Legal fees to collect taxable income (such as alimony).
9. Safe deposit box rental is deductible if you used the box to store taxable income-producing stocks, bonds, or investment-related papers. You may not deduct the rent if you only used the box for jewelry or other personal items.
10. You may also deduct the amount you paid to have your previous year's tax return prepared.

Some miscellaneous items you cannot deduct are:

1. Commuting expenses going to and from work.
2. Fines and penalties you paid for violating a law.
3. Burial or funeral expenses.
4. Losses from sale of your home.

Gambling losses are deductible, but you cannot deduct more than the gambling winnings you report as income. This deduction is not subject to the 2% limitation.