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Oddball Tax Deductions

Sometimes, despite objections from the IRS, taxpayers get to write off the darnedest things. Here are 14 of our favorites.

By Peter Blank

February 2010

Okay, admit it: As you've struggled with your tax return, trying to come up with some extra deductions to pump up your refund or reduce what you owe Uncle Sam, you've taken a few flights of fancy. "Can I claim a deduction for all those blood donations at the Red Cross?" Nope. "How about a charitable contribution for all the time I donate to the church?" No, again. "Can I count the wedding gift for my boss's daughter as an employee business expense?" Come on!

On the other hand, over the years your fellow taxpayers have successfully claimed write-offs for many crazy things that most of us wouldn't even dream of taking. Here's our list of what we think are the strangest deductions allowed, ranging from cat food to a casualty loss for a vehicle totaled by a drunk driver:

- 1. A sex-change operation.** A man who felt he was a woman trapped in a male body was diagnosed with gender-identity disorder. This transgender taxpayer wanted to deduct almost \$22,000 in out-of-pocket medical costs for multiple surgeries, including hormone therapy, sexual-reassignment surgeries and breast augmentation, in order to become a woman. In the Tax Court's view, the costs of the hormone therapy and the sex-change operation -- a total of \$14,500-- qualified as deductible medical expenses because those procedures helped treat a disease. But the court nixed the deduction for the cost of breast augmentation, saying that was nondeductible cosmetic surgery.
- 2. A "significant other."** A man hired his live-in girlfriend to manage several of his rental properties. Her duties included finding furniture, overseeing repairs and running his personal household. The Tax Court let him deduct as a business expense \$2,500 of the \$9,000 he paid her but disallowed the cost of her housekeeping chores as nondeductible personal services.
- 3. A private airplane.** Rather than drive five to seven hours to check on their rental condo or be tied to the only daily commercial flight available, a couple bought their own plane. The Tax Court allowed them to deduct their condo-related trips on the aircraft, including the cost of fuel and depreciation for the portion of time used for business-related purposes, even though these costs increased their overall rental loss on the condo.
- 4. Cat food.** A couple who owned a junkyard were allowed to write off the cost of cat food they set out to attract wild cats. The feral felines did more than just eat. They also took care of snakes and rats on the property, making the place safer for customers. When the case reached the Tax Court, IRS lawyers

conceded that the cost was deductible.

5. Moving the family pet. The IRS says if you are changing jobs and meet a couple of tests, you can deduct your moving expenses -- including the cost of moving your dog, cat or other pet from your old residence to your new home. Your pet -- be it a Pekingese or a python -- is treated the same as your other personal effects.

6. Body oil. A pro bodybuilder used body oil to make his muscles glisten in the lights during his competitions. The Tax Court ruled that he could deduct the cost of the oil as a business expense. Lest it be seen as a softie, though, the court nixed deductions for buffalo meat and special vitamin supplements to enhance strength and muscle development.

7. Breast augmentation. In an effort to get bigger tips, an exotic dancer with the stage name "Chesty Love" decided to get implants to make her a size 56-FF. The IRS challenged her deduction, saying the operation was cosmetic surgery. But a female Tax Court judge allowed this taxpayer to claim a depreciation deduction for her new, um, assets, equating them to a stage prop. Alas, the operation later proved to be a problem for Ms. Love. She tripped, rupturing one of her implants. That caused a severe infection, and the implants had to be removed.

8. Restitution in a fraud case. Sometimes, crime really does pay, or at least it does for tax purposes. A dentist's wife kept his books and, unbeknownst to him, billed insurers for services he didn't perform. Her scheme was uncovered and she was sentenced to 18 months in jail, but she wasn't required to pay restitution. The dentist repaid the ill-gotten gains to settle the insurer's civil claims against his practice. Since the repayment merely compensated the insurer for its loss and wasn't punitive, the dentist was allowed to deduct it as a business expense. In fact, the loss created by the write-off triggered a refund for the dentist of taxes paid in prior years.

9. Wrecking a car while driving drunk. A reveler drank too much at a party and had the good sense to arrange a ride home. A few hours later, after slowing down in his revelry, he thought he was okay to drive. Unfortunately, the vehicle he was operating slid off the road and rolled over. The cops arrested him for drunken driving because his blood alcohol reading was just over the legal limit. His insurer refused to pay for the damage to his car because of the arrest. Yet the Tax Court let him deduct the cost of the damage as casualty loss because it said that he had tried to act reasonably. Had he driven straight home from the party with a high blood alcohol level and had the accident, the court declared that it would have nixed his deduction because his actions would have constituted gross negligence.

10. Free beer. In a novel promotion, a service-station owner gave his customers free beer in lieu of trading stamps. Proving that alcohol and gasoline do mix -- for tax purposes -- the Tax Court allowed the write-off as a business expense.

11. A business meeting in Bermuda. Bermuda is a great place to schedule a tax write-off because business conventions are deductible without having to show that there was a special reason for the meeting to be held there. Why? Bermuda and the U.S. exchange tax information under international agreement. Other countries in the Caribbean region qualify, too, including Barbados, Costa Rica, Dominica, the Dominican Republic, Grenada, Guyana, Honduras, Jamaica, St. Lucia, and Trinidad and Tobago. Meetings held in Canada, Mexico and all U.S. possessions also receive this favorable tax treatment. Attend a convention in Paris or Rome or Beijing, though, and there's no deduction unless you can show it made as much sense to travel abroad as to head to Pittsburgh.

12. Baby-sitting fees. Fees paid to a sitter to enable a parent to get out of the house and do volunteer work for a charity are deductible as charitable contributions even though the money didn't go directly to

the charity, according to the Tax Court. The court expressly rejected a contrary IRS revenue ruling.

13. Landscaping. A sole proprietor who regularly met clients in his home office was allowed to deduct part of the costs of landscaping the property, on the grounds that it was a part of the home being used for business, according to the Tax Court. The court also allowed a deduction for part of the costs of lawn care and driveway repairs.

14. Swimming pool. A taxpayer with emphysema put in a pool after his doctor told him to develop an exercise regime. He swam in it twice a day and improved his breathing capacity. Turns out he swam in the pool more than his family did. The Tax Court allowed him to deduct the cost of the pool (to the extent the cost exceeded the amount it added to the value of the property) as a medical expense because its primary purpose was for medical care. Also, the cost of heating the pool, pool chemicals and a proportionate part of insuring the pool area are treated as medical expenses.

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