

Table 22-1. Which Taxes Can You Deduct?

Type of Tax	You Can Deduct	You Cannot Deduct
Fees and Charges	Fees and charges that are expenses of your trade or business or of producing income.	Fees and charges that are not expenses of your trade or business or of producing income, such as fees for driver's licenses, car inspections, parking, or charges for water bills (see Taxes and Fees You Cannot Deduct). Fines and penalties.
Income Taxes	State and local income taxes. Foreign income taxes. Employee contributions to state funds listed under Contributions to state benefit funds .	Federal income taxes. Employee contributions to private or voluntary disability plans. State and local general sales taxes if you choose to deduct state and local income taxes.
General Sales Taxes	State and local general sales taxes, including compensating use taxes.	State and local income taxes if you choose to deduct state and local general sales taxes.
Other Taxes	Taxes that are expenses of your trade or business. Taxes on property producing rent or royalty income. Occupational taxes. See chapter 28 . Deductible part of self-employment tax.	Federal excise taxes, such as tax on gasoline, that are not expenses of your trade or business or of producing income. Per capita taxes.
Personal Property Taxes	State and local personal property taxes.	Customs duties that are not expenses of your trade or business or of producing income.
Real Estate Taxes	State and local real estate taxes. Foreign real estate taxes. Tenant's share of real estate taxes paid by cooperative housing corporation.	Real estate taxes that are treated as imposed on someone else (see Division of real estate taxes between buyers and sellers). Taxes for local benefits (with exceptions). See Real Estate-Related Items You Cannot Deduct . Trash and garbage pickup fees (with exceptions). See Real Estate-Related Items You Cannot Deduct . Rent increase due to higher real estate taxes. Homeowners' association charges.

a registration fee and is for the privilege of registering motor vehicles or using them on the highways.

If the tax is partly based on value and partly based on other criteria, it may qualify in part.

Example. Your state charges a yearly motor vehicle registration tax of 1% of value plus 50 cents per hundredweight. You paid \$32 based on the value (\$1,500) and weight (3,400 lbs.) of your car. You can deduct \$15 (1% × \$1,500) as a personal property tax because it is based on the value. The remaining \$17 (\$.50 × 34), based on the weight, is not deductible.

Taxes and Fees You Cannot Deduct

Many federal, state, and local government taxes are not deductible because they do not fall within the categories discussed earlier. Other taxes and fees, such as federal income taxes, are not deductible because the tax law specifically prohibits a deduction for them. See [Table 22-1](#).

Taxes and fees that are generally not deductible include the following items.

- **Employment taxes.** This includes social security, Medicare, and railroad retirement taxes withheld from your pay. However, you can take a deduction in 2012 for the deductible part of self-employment tax. See the instructions for Schedule SE (Form 1040) for details. In addition, the social security and other employment taxes you pay on the wages of a household worker may be included in medical expenses that you can deduct or child care expenses that allow you to claim the child and dependent care credit. For more information, see chapters 21 and 31.
- **Estate, inheritance, legacy, or succession taxes.** However, you can deduct the estate tax attributable to income in respect of a decedent if you, as a beneficiary, must include that income in your gross income. In that case, deduct the estate tax as a miscellaneous deduction that is not subject to the 2%-of-adjusted-gross-income limit. For more information, see Publication 559, Survivors, Executors, and Administrators.

- **Federal income taxes.** This includes income taxes withheld from your pay.
- **Fines and penalties.** You cannot deduct fines and penalties paid to a government for violation of any law, including related amounts forfeited as collateral deposits.
- **Gift taxes.**
- **License fees.** You cannot deduct license fees for personal purposes (such as marriage, driver's, and dog license fees).
- **Per capita taxes.** You cannot deduct state or local per capita taxes.

Many taxes and fees other than those listed above are also nondeductible, unless they are ordinary and necessary expenses of a business or income producing activity. For other nondeductible items, see [Real Estate-Related Items You Cannot Deduct](#), earlier.

Where To Deduct

You deduct taxes on the following schedules.

State and local income taxes. These taxes are deducted on Schedule A (Form 1040), line 5, even if your only source of income is