

Taking Stock: IRS people not evil, just taxing

by Malcolm_Berko

Dear Mr. Berko: I've decided to do my own tax return for the 2007 year both to save a few dollars and because I think my accountant's nasty personality with the IRS examiner caused me excessive grief on my 2005 return, which was recently settled and cost me an extra \$3,200. Can you tell me how the new rules for medical deductions work for deducting medical and doctor expenses on my tax return? What we need is better tax laws and a simple tax form that common people understand.

T.S.

Erie, Pa.

Dear T.S.: The Internal Revenue Service folks are just as nice and friendly as a good neighbor. They're hardworking, knowledgeable people who have an unpleasant job to do. But even a good neighbor would get nasty if a surly tax preparer or an intransigent taxpayer continues to throw garbage on their lawns.

You might not like how Congress spends your money, and quite a few folks at the IRS feel the same way, but don't take it out on the revenue people whose job is to make sure you don't shortchange the treasury too much. Face it, most taxpayers avoid a little, hedge some, execute an end run, dodge, fudge, skirt and finagle the numbers on their returns. Don't you? Some taxpayers even try to evade their tax liability and that's a full tilt-boogie "no-no."

Give those folks a break. How would you like to go to work each day and know that many taxpayers with whom you will talk treat will you like a pariah? I've had my share of audits and I've won a few and I've lost a few. And I know if you treat those folks fairly and with respect they will respond in the same way.

Now don't get your hopes up for simple tax forms and a simple tax code. Lawyers, accountants, lobbyists, the printing industry, the IRS and the tax courts have covert and overwhelming vested interests in keeping the process as complicated as possible. If filing a tax return were a simple matter, can you imagine how many certified public accountants, lobbyists, lawyers, etc. would be out of work and have trouble feeding their families? It's a big number, it's a lot of money and I'm serious as a heart attack.

Creating complicated new tax laws is a form of eating for most congressional representatives, so I doubt that the process will ever be simplified because there's too much at stake. Now I'd rather eat a bowl of spiders than do my own tax return. I tried years ago and the process made me feel like I was drowning in slow motion. But my daughter Hilary, who is a criminal attorney, knows more about tax law than any \$1,500 an hour tax lawyer, prepares my return. So I posed your question to her and the following is the answer.

If you itemize your deductions you are allowed to deduct your un-reimbursed medical costs on Schedule A, only to the extent they exceed 7.5 percent of your adjusted gross income, or AGI. It's got to be simple if I understand it, and I do.

Assume that your AGI is \$100,000 for 2007 and that your un-reimbursed medical costs were \$7,000. Well in this case you're left holding the bilge bucket because you can only deduct those costs exceeding \$7,500; which is 7.5 percent of your \$100,000 AGI. To exceed 7.5 percent of your AGI your un-reimbursed medical costs would have to be in excess of \$7,500. So if your un-reimbursed medical costs for 2007 were \$9,000 you could deduct (\$9,000 less \$7,500) or \$1,500 from your \$100,000 AGI on Schedule A.

If you want to review the code, Hilary suggests that you read IRS Publications 17 and 502. Those publications also include rules for deducting health insurance costs for self-employed people. I've got those publications on my desk and I must tell you that they are a bloody bear to read. It's so easy to write those laws if you are a moderately intelligent and psychologically balanced human being. But the authors of those two publications have to be severely myopic, messed-up on crystal meth, morbidly overweight, constantly constipated and have bubble gum for brains. They are the bad people.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him at malber@comcast.net.

Â© Copley News Service

Taking Stock: IRS people not evil, just taxing by Malcolm_Berko