

MLI #8 Itemized Deductions Reported on Schedule A (Form 1040)

SUMMARY

For the past two years, itemized deductions reported on Schedule A of IRS Form 1040 have been among the ten Most Litigated Issues. We identified 32 cases involving itemized deductions that were litigated in federal courts between June 1, 2018, and May 31, 2019.¹ The courts affirmed the IRS position in 29 of these cases, or about 91 percent, while taxpayers fully prevailed in one case, or about three percent of the cases. The remaining two cases, or about six percent, resulted in split decisions.

TAXPAYER RIGHTS IMPACTED²

- *The Right to Be Informed*
- *The Right to Pay No More Than the Correct Amount of Tax*
- *The Right to Challenge the IRS's Position and Be Heard*
- *The Right to Appeal an IRS Decision in an Independent Forum*
- *The Right to a Fair and Just Tax System*

PRESENT LAW

Itemized Deductions Prior to the Tax Cuts and Jobs Act³

In order to calculate taxable income, individual taxpayers can deduct from gross income (or adjusted gross income (AGI)), a standard deduction based on filing status⁴ or may instead elect to itemize deductions.⁵ Common itemized deductions include personal expenses such as interest payments (including interest and points on mortgages secured by a principal or secondary residence);⁶ state and

1 We excluded cases involving unreimbursed employee expenses and charitable deductions as they are discussed elsewhere in the National Taxpayer Advocate's Annual Report to Congress. See National Taxpayer Advocate 1998-2019 Annual Reports to Congress. Unreimbursed employee expenses are discussed in detail in Most Litigated Issue: *Trade or Business Expenses Under IRC § 162 and Related Sections*, *supra*. Cases involving charitable deductions are discussed in detail in Most Litigated Issue: *Charitable Contribution Deductions Under IRC § 170*, *infra*.

2 See Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR are also codified in the Internal Revenue Code (IRC). See IRC § 7803(a)(3).

3 Pub. L. No. 115-97, 131 Stat. 2054 (2017). TAS has a website, available in both English and Spanish, to educate individual taxpayers about items that were changed and not changed as a result of the Tax Cuts and Jobs Act (TCJA). For a detailed list of these changes, see TAS, *Tax Changes by Topic*, <https://taxchanges.us/> (last visited Aug. 19, 2019).

4 IRC § 63. Married taxpayers must generally both elect the standard deduction or to itemize deductions, regardless of whether they file joint or separate returns. IRC § 63(c)(6)(A).

5 Itemized deductions are specified "personal" and "other" expenses allowed as deductions from AGI in calculating taxable income. See IRC § 62 for the calculation of AGI. Eligible taxpayers may claim itemized deductions by filing a Schedule A (Form 1040), Itemized Deductions, with their tax returns.

6 IRC § 163.

local income, sales,⁷ and property taxes;⁸ charitable contributions;⁹ casualty and theft losses;¹⁰ and medical and dental expenses exceeding a certain threshold of the taxpayer's AGI.¹¹

Prior to the Tax Cuts and Jobs Act (TCJA) (tax years before 2018), itemized deductions also included miscellaneous deductions, such as tax advice and preparation fees, appraisal fees for purposes of charitable contributions or casualty losses, work-related expenses, and moving expenses.¹² Pre-TCJA, taxpayers with an AGI over a certain threshold amount are limited as to the total itemized deductions they can claim.¹³ For taxpayers with an AGI over the threshold, allowable itemized deductions are reduced by three percent of the AGI above the applicable threshold to a maximum reduction of 80 percent of the total allowable deductions for the year.¹⁴

Changes Made Under the Tax Cuts and Jobs Act and Subsequent Regulation¹⁵

The TCJA eliminated or restricted many itemized deductions in 2018 and increased the standard deduction.¹⁶ For tax year (TY) 2017, there were 143.1 million Forms 1040 filed through the last full processing cycle in fiscal year (FY) 2018, and 43.3 million taxpayers claimed itemized deductions (about 30.2 percent).¹⁷ For TY 2018, there were 144.0 million Forms 1040 filed through the last full processing cycle of FY 2019, and 15.2 million taxpayers claimed itemized deductions (about 10.6 percent).¹⁸ This represents a nearly 65 percent decrease, or about 28 million fewer taxpayers claiming itemized deductions in TY 2018.¹⁹

7 IRC § 164.

8 *Id.*

9 IRC § 170. Charitable contributions are discussed in a separate Most Litigated Issue, *Charitable Contribution Deductions Under IRC § 170*, *infra*.

10 IRC § 165(e) and (h).

11 IRC § 213. Other deductible expenses include certain payments related to the production or collection of income, such as property management expenses (under IRC § 212), investment interest expenses (under § 163(d)), and gambling losses (under IRC § 165(d)).

12 Work-related expenses include subscriptions to professional journals, home office expenses, union or professional dues, and unreimbursed work-related travel expenses or employee expenses reimbursed under a nonaccountable plan. See IRC § 67(b).

13 IRC § 68(a).

14 IRC § 68(a). These limitations apply to charitable donations, the home mortgage interest deduction, state and local tax deductions, and miscellaneous itemized deductions, but do not apply to medical expenses, investment interest expenses, gambling losses, and certain theft and casualty losses. IRC § 68(c).

15 Pub. L. No. 115-97, 131 Stat. 2054 (2017).

16 The Joint Committee on Taxation staff estimated the number of taxpayers who itemize would tumble from about 46.5 million in 2017 to about 18 million in 2018. JOINT COMM. ON TAXATION, *Tables Related to the Federal Tax System as in Effect 2017 Through 2026* (JCX-32-18) (Apr. 23, 2018).

17 Individual Returns Transaction File on the IRS Compliance Data Warehouse (CDW) (through cycle 39 of 2018).

18 Individual Returns Transaction File on the IRS CDW (through cycle 39 of 2019).

19 Individual Returns Transaction File on the IRS CDW (comparing tax returns filed between January 1 and October 1 in both TYs 2017 and 2018).

The TCJA made the following changes to itemized deductions:²⁰

1. *Standard deduction.* For TYs 2018-2025, the TCJA roughly doubles the standard deduction amounts from \$6,350 to \$12,000 for single individuals, \$18,000 for heads of household up from \$9,350, and \$24,000 for joint filers up from \$12,700.²¹
2. *Medical expense deduction.* Under prior law, most taxpayers whose unreimbursed medical expenses exceeded ten percent of their AGI could deduct that excess.²² Under the TCJA, all taxpayers may deduct unreimbursed medical expenses that exceed 7.5 percent of his or her AGI in TYs 2017 and 2018.²³ This change was made retroactive to January 1, 2017.²⁴ Beginning in TY 2019, all taxpayers will only be able to deduct medical expenses if they exceed ten percent of their AGI.²⁵
3. *State and local taxes.* The TCJA limits the aggregate amount of the itemized deduction taxpayers can claim for state and local income, sales, real estate, or personal property taxes to \$10,000 per year (\$5,000 in the case of a married individual filing a separate return) for TYs 2018-2025.²⁶ Prior to the TCJA changes, there was no limitation on the amount of state and local taxes a taxpayer could take as an itemized deduction. This aspect of the TCJA has faced significant opposition and motivated numerous states to develop workarounds to circumvent the limitation, including the creation of charities that residents can donate to in exchange for state and local tax credits.²⁷ The Department of Treasury and the IRS have promulgated regulations that address these workarounds, requiring taxpayers, under certain circumstances, to reduce their claimed charitable contribution deductions by the amount of any state or local tax credits they receive in return for said contributions.²⁸ We anticipate litigation in this area in coming years.²⁹
4. *Mortgage and home equity interest deduction.* For mortgages entered into after December 15, 2017, the TCJA generally allows a taxpayer to deduct interest only up to \$750,000 on mortgage debt used to buy, build, or improve a principal home (\$375,000 in the case of married taxpayers filing separate returns) for TYs 2018-2025.³⁰ However, the limit remains at \$1 million (\$500,000 in

20 Pub. L. No. 115-97, 131 Stat. 2054 (2017).

21 Pub. L. No. 115-97, § 11021, 131 Stat. 2054, 2072 (2017) (adding IRC § 63(c)(7)). These amounts are adjusted for inflation. IRC § 63(c)(7)(B). The TCJA employed a new Consumer Price Index. Specifically, the new index differs from the previous Consumer Price Index by attempting to account for the ability of individuals to alter their consumption patterns in response to relative price changes. See Pub. L. No. 115-97, § 11002, 131 Stat. 2054, 2059 (2017).

22 IRC § 213(a). For tax years 2013-2016, a taxpayer could deduct the excess over 7.5 percent of AGI if the taxpayer or his or her spouse had attained age 65 before the close of the taxable year. IRC § 213(f)(1).

23 Pub. L. No. 115-97, § 11027, 131 Stat. 2054, 2077 (2017); IRC § 213(a), (f).

24 *Id.*

25 *Id.*

26 Pub. L. No. 115-97, § 11042, 131 Stat. 2054, 2085 (2017); IRC § 164(b)(6).

27 For a discussion of the various state workarounds, see Cynthia M. Pedersen, *States' Workarounds to the State and Local Tax Deduction Limitation*, THE TAX ADVISER (Aug. 1, 2018), <https://www.thetaxadviser.com/issues/2018/aug/workarounds-state-local-tax-deduction-limitation.htm>.

28 Treas. Reg. § 1.170A-1(h)(3) (as amended in August 2019) (addressing the federal income tax treatment of contributions by reducing federal deductions by the amount of any state or local tax credit that a taxpayer receives or expects to receive in consideration for the taxpayer's payment or transfer).

29 The states of New York, Connecticut, Maryland, and New Jersey (and the Village of Scarsdale, New York) have challenged the validity of Treas. Reg. § 1.170A-1(h)(3), arguing, *inter alia*, that it interferes with the states' ability to invest in their citizens and infrastructure, and with the states' sovereign authority to determine their own taxation and fiscal policies. See, e.g., *New Jersey v. Mnuchin*, No. 19-06642 (S.D.N.Y. July 17, 2019). U.S. District Judge J. Paul Oetken dismissed this case, but it may be appealed. See Toby Eckert, *Judge Throws Out States' Challenge to Tax Deduction Cap*, POLITICO (Sept. 30, 2019), <https://www.politico.com/news/2019/09/30/judge-dismisses-state-local-tax-deduction-cap-lawsuit-012686>.

30 Pub. L. No. 115-97, § 11043, 131 Stat. 2054, 2086 (2017); IRC § 163(h)(3)(F).

the case of married taxpayers filing separate tax returns) for mortgage debt incurred on or before December 15, 2017.³¹

The TCJA also eliminates the deduction for interest on home equity debt for TYs 2018-2025.³² However, home equity debt interest might still be deductible if the funds are used for a purpose where interest otherwise may be deductible, such as for home improvement, investment, or business purposes.³³

5. *Casualty and theft loss deductions.* The TCJA provides that, for TYs 2018-2025, taxpayers may not deduct any personal casualty or theft losses not compensated by insurance or otherwise, unless the casualty loss is attributable to a federally declared disaster.³⁴ The loss must still exceed \$100 per casualty and the total net loss must exceed ten percent of the taxpayer's AGI.³⁵
6. *Miscellaneous itemized deductions.* For TYs 2018-2025, the deduction for miscellaneous expenses subject to the two percent of the AGI floor, such as certain professional fees, investment expenses, and unreimbursed employee business expenses, has been suspended under the TCJA.³⁶
7. *Charitable contribution deductions.*³⁷ For TYs 2018-2025, the limit on the deduction for cash donations to public charities is increased from 50 to 60 percent of AGI.³⁸ However, charitable deductions for payments made in exchange for college athletic event seating rights are eliminated.³⁹
8. *Tax return preparation fees.* Prior to the TCJA tax return preparation fees were deductible subject to a two percent of AGI limitation. TCJA suspended the deduction of these fees for TYs 2018-2025.⁴⁰

ANALYSIS OF LITIGATED CASES

For the third time since the National Taxpayer Advocate's Annual Report to Congress in 2000, itemized deductions reported on Schedule A of IRS Form 1040 were among the ten Most Litigated Issues. This year, we analyzed 32 cases between June 1, 2018, to May 31, 2019, in which itemized deductions were in dispute. All but two of these cases were litigated in the U.S. Tax Court. A detailed list appears in Table 8 in Appendix 5. Of the 16 cases in which taxpayers appeared *pro se* (without counsel), the IRS prevailed in 15. Notably, the only case where the taxpayer prevailed was a case where the taxpayer appeared *pro se*, as none of the represented taxpayers prevailed. The highest portion of this year's 32 cases involved taxpayers claiming deductions for casualty and theft losses,⁴¹ mortgage and equity interests,⁴² and

31 IRC § 163(h)(3)(F)(i)(III).

32 *Id.*

33 IRC § 163(h)(3)(A)(i) and (B). See also IR-2018-32, Interest on Home Equity Loans Often Still Deductible Under New Law (Feb. 21, 2018), <https://www.irs.gov/newsroom/interest-on-home-equity-loans-often-still-deductible-under-new-law>.

34 Pub. L. No. 115-97, § 11044, 131 Stat. 2054, 2087 (2017); IRC § 165(h)(5).

35 IRC § 165(c)(3), (h)(1) and (2).

36 IRC § 67(g); Pub. L. No. 115-97, § 11045, 131 Stat. 2054, 2088 (2017).

37 See also Most Litigated Issue: *Charitable Contribution Deductions Under IRC § 170*, *infra*.

38 IRC § 170(b)(1)(G); Pub. L. No. 115-97, § 11023, 131 Stat. 2054, 2074 (2017).

39 IRC § 170(I); Pub. L. No. 115-97, § 13704, 131 Stat. 2054, 2169 (2017).

40 See IRC §§ 67(a), 212(3); Pub. L. No. 115-97, § 11045, 131 Stat. 2054, 2088 (2017).

41 IRC § 165.

42 IRC § 163.

deductions for state and local taxes paid.⁴³ Figure 2.8.1 categorizes the main issues raised by taxpayers in the 32 cases we identified.

FIGURE 2.8.1, Itemized Deduction Issues⁴⁴

Itemized Deduction	Number of Cases	Percentage of Cases
Casualty/Theft Loss	12	37.5
Mortgage Interest	10	31
State and Local Taxes Paid Deductions	7	22
Medical and Dental Expenses	3	9
Tax Preparation Fees	2	6.3
Gambling	4	12.5
Other	1	3

Casualty and Theft Loss Deduction

In *Mancini v. Commissioner*, the taxpayer claimed a casualty loss as a result of gambling and investment losses allegedly caused by his altered mental state resulting from a medication he was prescribed.⁴⁵ In 2004, Mr. Mancini was diagnosed with Parkinson’s disease and was prescribed Pramipexole to treat his symptoms. After allegedly experiencing an altered mental state induced by the medication, the taxpayer began gambling excessively and selling investment properties at irrationally low prices in part to pay off his gambling debts. Mr. Mancini did not keep logs of his gambling activities; however, he did report gambling losses to the extent of gambling profits in TYs 2008-2010 and presented documents from several casinos. The taxpayer argued that his gambling losses should not be subject to the normal limits on such losses, because they were in fact “other casualty” losses resulting from his “sudden, unexpected and unusual” reaction to a prescription drug.⁴⁶ The taxpayer argued that his obsessive gambling caused by Pramipexole fell within the definition of an “other casualty” because it emerged suddenly and was unexpected by both the taxpayer and his doctor.⁴⁷ However, the Tax Court disagreed, stating that “a casualty loss is deductible only if the taxpayers property suffered physical damage.”⁴⁸ The Tax Court also found that Mr. Mancini failed to substantiate his claims.⁴⁹ Thus, the taxpayer’s casualty loss deductions were disallowed.

Mancini reaffirms longstanding precedent related to the requirement for physical damage in order to claim a casualty loss deduction and for the “sudden” nature of “other casualty losses.”⁵⁰ The case also made clear that to qualify as an “other casualty loss,” the loss must be “sudden, unexpected, or unusual”

43 IRC § 164.

44 Several cases we identified had more than one of the issues listed in Figure 2.8.1.

45 *Mancini v. Comm’r*, T.C. Memo. 2019-16, *appeal docketed*, No. 19-72438 (9th Cir. Sept. 25, 2019).

46 *Id.*

47 The Tax Court noted, “other casualty” is a loss arising from something “sudden, unexpected, or unusual” as opposed to something resulting from a “progressive deterioration [due to] a steadily operating cause,” even if the damage “was not discovered until it was complete.” *Id.* See also IRC §165(a)-(c)(3); Treas. Reg. §§ 1.165-1(d)(1), 1.165-7(a)(1).

48 *Mancini*, T.C. Memo. 2019-16, at 8, *appeal docketed*, No. 19-72438 (9th Cir. Sept. 25, 2019) (citing *Kamanski v. Comm’r*, 477 F. 2d 452 (9th Cir. 1973), *aff’g* T.C. Memo. 1970-352).

49 *Mancini*, T.C. Memo. 2019-16, *appeal docketed*, No. 19-72438 (9th Cir. Sept. 25, 2019).

50 *Mancini*, T.C. Memo. 2019-16, at 7-8 (citations omitted), *appeal docketed*, No. 19-72438 (9th Cir. Sept. 25, 2019).

rather than the result of “progressive deterioration.”⁵¹ In preparing for a casualty loss deduction dispute, a taxpayer should pay special attention to documenting the value and the nature of the loss, as well as the timing of the loss’s cause.

Mortgage Interest

In *Milkovich v. United States*, the taxpayers claimed they were entitled to a tax refund of \$18,817 for 2011, and the government motioned to have the lawsuit dismissed for failure to state a claim, which the district court granted.⁵² The taxpayers, Mr. and Mrs. Milkovich, purchased a personal residence in February 2005 with a monthly mortgage payment of approximately \$3,700. However, they stopped making payments in February 2009 and filed Chapter 7 bankruptcy. The property was sold in a short sale in July 2011. At the time of the sale, unpaid interest in the amount of \$114,688 had accrued on the mortgage. The mortgage holder, Citi Mortgage, received just over \$522,000 from the sale and allocated this amount to satisfy the \$114,688 in accrued unpaid interest first. The taxpayers deducted \$144,688 in mortgage interest from their 2011 taxes, which they claimed should have resulted in a \$18,817 tax refund. The court found the parties’ dispute centered on the statutory interpretation of the meaning of the term “indebtedness” under Internal Revenue Code (IRC) § 163. Specifically, the court looked at whether the Milkoviches were entitled to deduct mortgage interest paid on the property after it was discharged through bankruptcy and where the outstanding mortgage amount exceeded the fair market value of the property. The court found that while interest deductions are generally allowable, there is an exception when the nonrecourse liability (here, the mortgage) exceeds a reasonable estimate of the fair market value of the indebted property. In such a case, an interest deduction is not allowed. The court found that because the fair market value of the short sale was far below the outstanding mortgage debt, it was not reasonable to expect the taxpayers to satisfy the mortgage debt themselves. For this reason, the court found that the taxpayers’ transaction lacked “economic substance.”⁵³ Given the recent legislative changes, we expect to see more litigation in this area.

Substantiation of Itemized Deductions

Taxpayers are required to substantiate expenses underlying each claimed deduction by maintaining records sufficient to establish the amount of the deduction and to enable the Commissioner to determine the correct tax liability.⁵⁴ Taxpayers were unable to or had difficulty substantiating their itemized deduction claims in 20 of the 32 cases we identified, or nearly 63 percent of the cases.

One such case was *Sutherland v. Commissioner*,⁵⁵ in which the Tax Court found that the taxpayers had not met their burden in substantiating claimed transportation costs associated with seeking medical attention. Mr. and Mrs. Sutherland provided no mileage logs to substantiate the claimed mileage. Instead, they provided only a total mileage amount that corresponded to each medical expense without substantiating where the trip originated, what vehicle was used, or other evidence to substantiate the reported expenses. Thus, the Tax Court disallowed the deduction.

51 *Mancini*, T.C. Memo. 2019-16, at 7-8 (citations omitted), *appeal docketed*, No. 19-72438 (9th Cir. Sept. 25, 2019).

52 *Milkovich v. United States*, 2019 WL 2161665 (W.D. Wash. May 17, 2019).

53 *Id.*, at *3.

54 IRC § 6001; *Welch v. Helvering*, 290 U.S. 111, 115 (1933); *Cohan v. Comm’r*, 39 F.2d 540, 543-44 (2d Cir. 1930); Temp. Treas. Reg. § 1.274-5T(b). For detailed recordkeeping guidance for taxpayers, see also IRS, Burden of Proof, <https://www.irs.gov/businesses/small-businesses-self-employed/burden-of-proof> (last visited July 29, 2019) (describing the requirement to substantiate certain elements of expenses in order to shift the burden of proof according to IRC § 7491) and IRS Publication 583, Starting a Business and Keeping Records (Jan. 2015).

55 *Sutherland v. Comm’r*, T.C. Memo. 2018-186.

Substantiation is also important for the gambling loss deduction. A taxpayer who is not in the trade or business of gambling can deduct gambling losses as an itemized deduction but only to the extent of gambling winnings.⁵⁶

In *Castaneda v. Commissioner*, though the taxpayers failed to appear for trial, the Tax Court nonetheless determined that Mr. and Mrs. Castaneda were not entitled to deduct \$295,871 of gambling losses.⁵⁷ The court found that the taxpayers failed to keep records of their gambling winnings or use players' cards, which would have provided reliable casino records. As a result, the court had no basis to allow those deductions.

In *Kurdziel v. Commissioner*, the Tax Court held that a former fighter pilot, who is the only person in the United States who owns and is licensed to fly a Fairey Firefly, could not deduct losses he incurred in restoring the World War II fighter and anti-submarine aircraft.⁵⁸ Among other expenses, the Tax Court disallowed the taxpayer's claimed home mortgage interest, real estate taxes, and tax return preparation fees. While the Commissioner merely argued that the taxpayer had failed to substantiate these deductions without providing more, Mr. Kurdziel also did not add anything more to the record. The Court stated, "[w]hen there's nothing in the record, defeat comes for the party with the burden of proof," finding for the Commissioner on those disputed amounts.⁵⁹

In *Simpson v. Commissioner*,⁶⁰ the only case during this reporting period where a taxpayer prevailed on the merits of an issue covered by this Most Litigated Issue, the Tax Court held that Mr. and Mrs. Simpson were entitled to an additional deduction for state and local income taxes for TY 2013 after introducing into evidence an additional payment of \$895.96 that was applied to their 2011 California income tax. Under IRC § 164(a)(3), state and local income taxes are allowed as a deduction for the taxable year within which they are paid or accrued. Mr. and Mrs. Simpson had made a direct contribution to the California State Disability Insurance, which the Tax Court has held constitutes a valid income tax payment deductible under IRC § 164(a)(3).

CONCLUSION

In TY 2015, the IRS Statistics of Income data showed that 29.6 percent of individual return filers chose to itemize their deductions.⁶¹ As we anticipated and noted in the 2018 Annual Report to Congress, the number of itemizers significantly decreased, by about 65 percent beginning in TY 2018 because of the tax changes brought about by the TCJA.⁶²

A reduction in the number of itemizers may eventually lead to a decrease in litigation in the coming years, especially as it relates to non-disaster related personal casualty or theft losses and miscellaneous deductions. However, litigation related to remaining itemized deductions, such as medical and dental

⁵⁶ IRC § 165(d).

⁵⁷ *Castaneda v. Comm'r*, T.C. Memo. 2018-173.

⁵⁸ *Kurdziel v. Comm'r*, T.C. Memo. 2019-20.

⁵⁹ *Id.*, at *13 (citing IRC § 7491(a)).

⁶⁰ *Simpson v. Comm'r*, T.C. Summ. Op. 2019-9.

⁶¹ IRS, SOI Tax Stats—Individual Income Tax Returns Publication 1304, "Table 1.2: All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items" (June 21, 2018), <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-publication-1304-complete-report>.

⁶² For TY 2017, there were 43.2 million taxpayers who claimed itemized deductions (about 30.2 percent). For TY 2018, there were 15.2 million taxpayers who claimed itemized deductions (about 10.6 percent). Individual Returns Transaction File on the IRS CDW (comparing tax returns filed between January 1 and October 1 in both TYs 2017 and 2018).

expenses or state and local taxes, may increase. Taxpayers should also be careful to maintain detailed records related to any deductions they claim. This will assist taxpayers in verifying deductions with the IRS before disputes result in litigation. The IRS must continue to increase awareness and to clarify these deductibility changes, including recordkeeping requirements, which will protect taxpayers' *rights to be informed* and *to pay no more than the correct amount of tax*. By doing so, the IRS will encourage taxpayers to comply with their tax obligations and minimize the risk of litigation.

RECOMMENDATION TO MITIGATE DISPUTES

The National Taxpayer Advocate recommends that the IRS:

- Develop a Tax Forum presentation and communication strategy to better educate return preparers and practitioners about itemized deductions, including recordkeeping requirements.