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## The Color of Money

Michelle Singletary



### Tales of Tax Fraud Are a Hoot, but the Penalties Are No Joke

By Michelle Singletary  
Thursday, April 1, 2004; Page E03

To mark April Fool's Day, I want to highlight some of the foolish people who try to slip the most outlandish tax deductions past the Internal Revenue Service.

William E. Philbrick, a certified public accountant and former IRS revenue agent, has seen quite a number of creative tax deductions.

Philbrick, now a senior vice president at Greenberg, Rosenblatt, Kull & Bitsoli in Massachusetts, remembers one elderly woman who tried to claim her deceased parents as dependents.

Philbrick said the woman took too literally the IRS 1040 instructions for a qualifying dependent.

For you to claim a dependent on your tax return, five tests must be met. The person has to be related or have lived in your household all year and can't have filed a joint return (unless

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to claim a refund, and no tax liability would exist). The person must be a U.S. citizen or resident alien (or a resident of Canada or Mexico). The person's gross income can't be more than \$3,050 (with some exceptions), and you must have provided more than half of the person's total support.

Philbrick said the woman, using the dependency tests, reasoned that her dead parents hadn't filed a tax return, they weren't being claimed by anyone else, they were related to her and they didn't have any gross income. The woman even went so far as to produce a perpetual-care contract and claimed, "I provided 100 percent of their support," Philbrick said.

"Obviously, she didn't apply common sense," said Michelle Lamishaw, a spokeswoman for the IRS. "When filling out your tax return, you don't want to turn it into an exercise in creative writing. That belongs in an English 101 class, not in the world of taxation."

A few other tales of foolhardy taxpayers, courtesy of members of the California Society of Certified Public Accountants:

- Gregory Reid of Laguna Niguel, Calif., said he had a client who tried to claim a can of pepper spray as a medical deduction. The woman said she had a weak heart and that if she were ever attacked she would surely die.

- Teresa Mason of Oakland had

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a client who tried to deduct his lottery ticket purchases as donations to the California school system, which the lottery supports.

- Steve Kramer of San Diego said he once had a union meat cutter who insisted he should be able to deduct the cost of his new wristwatch. The man said he wouldn't have bought it except for the need to get to work on time and leave exactly at the end of his shift. He didn't want to give his employer one extra minute. The client thought he could deduct the watch as part of his uniform. Wrong. It flunked the ordinary-street-wear test, Kramer said.

And what's the ordinary-street-wear test? You can deduct the cost and upkeep of work clothes if you must wear the clothing as a condition of employment and the items are not suitable for everyday wear, according to the IRS.

And don't try arguing that you don't wear your business suits or dresses outside of work, Kramer said. It's been tried and denied. Examples of workers who may be able to deduct the cost and upkeep of work clothes include firefighters, health care workers, law-enforcement officers and letter carriers.

And under the category of "you have got to be kidding," here are some deductions that were allowed:

- Robert S. Seltzer, a CPA in Beverly Hills, had a client with a neck injury who was allowed to deduct much of the cost of installing a lap pool because the only exercise permitted by his doctor was swimming.
- Michael B. Allmon, a CPA in Marina del Rey, Calif., had a famous actress client in her early twenties who was able to legitimately deduct the cost of a personal trainer and health club for the time it took her to lose weight. The studio told the actress she had to lose her womanly curves.
- Laura Ross of San Francisco said she once had a transgender client who, because of a doctor's prescription, could legitimately deduct electrolysis and the sexual-reassignment surgery. Not all the electrolysis was deductible, however -- just what was related to surgical areas. Getting rid of a beard didn't merit a tax deduction.
- Kramer remembers a client from the late 1970s who was a teacher by day and worked part time as a dancer at what they used to call a "gentlemen's club." The woman was allowed to deduct her dance attire, which he said she described as diaphanous. But be careful before you try this today. As Kramer so aptly pointed out, times have changed. Back then strip-club costumes couldn't be worn as street

wear, so they were deductible.

Just remember that when it comes to your taxes, don't be foolish.

"You don't want to have too much of a sense of humor when filling out your tax return, because the consequences are not at all funny," Lamishaw said.

*Researcher Raymond Lee contributed to this column.*

*Michelle Singletary discusses personal finance Tuesdays on NPR's "Day to Day" program and online at [www.npr.org](http://www.npr.org). Readers can write to her in care of The Washington Post, 1150 15th St. NW, Washington, D.C. 20071 or send e-mail to [singletarym@washpost.com](mailto:singletarym@washpost.com).*

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