

State, a foreign country, or a possession of the United States.

(Added Pub. L. 96-605, title I, §101(a), Dec. 28, 1980, 94 Stat. 3521; amended Pub. L. 98-369, div. A, title IV, §424(b)(1)-(2)(B), July 18, 1984, 98 Stat. 802, 803; Pub. L. 101-239, title VII, §7841(d)(8), Dec. 19, 1989, 103 Stat. 2428; Pub. L. 105-206, title III, §3201(b), July 22, 1998, 112 Stat. 739.)

#### AMENDMENTS

1998—Subsec. (c). Pub. L. 105-206 inserted at end “Under procedures prescribed by the Secretary, if, taking into account all the facts and circumstances, it is inequitable to hold the individual liable for any unpaid tax or any deficiency (or any portion of either) attributable to any item for which relief is not available under the preceding sentence, the Secretary may relieve such individual of such liability.”

1989—Subsec. (d)(1). Pub. L. 101-239 substituted “section 911(d)(2)” for “section 911(b)”.

1984—Pub. L. 98-369, §424(b)(2)(A), struck out “where spouses live apart” in section catchline.

Subsec. (a). Pub. L. 98-369, §424(b)(2)(B), substituted “Treatment of community income where spouses live apart” for “General rule” in heading.

Subsecs. (b) to (d). Pub. L. 98-369, §424(b)(1), added subsecs. (b) and (c) and redesignated former subsec. (b) as (d).

#### EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 applicable to any liability for tax arising after July 22, 1998, and any liability for tax arising on or before such date but remaining unpaid as of such date, see section 3201(g)(1) of Pub. L. 105-206, set out as a note under section 6015 of this title.

#### EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to all taxable years to which the Internal Revenue Code of 1986 [formerly I.R.C. 1954] applies with corresponding provisions deemed to be included in the Internal Revenue Code of 1939 and applicable to all taxable years to which such Code applies, except subsection (b) of this section is applicable to taxable years beginning after December 31, 1984, see section 424(c) of Pub. L. 98-369, set out as a note under section 6013 of this title.

#### EFFECTIVE DATE

Pub. L. 96-605, title I, §101(c), Dec. 28, 1980, 94 Stat. 3522, provided that: “The amendments made by this section [enacting this section] shall apply to calendar years beginning after December 31, 1980.”

### § 67. 2-percent floor on miscellaneous itemized deductions

#### (a) General rule

In the case of an individual, the miscellaneous itemized deductions for any taxable year shall be allowed only to the extent that the aggregate of such deductions exceeds 2 percent of adjusted gross income.

#### (b) Miscellaneous itemized deductions

For purposes of this section, the term “miscellaneous itemized deductions” means the itemized deductions other than—

- (1) the deduction under section 163 (relating to interest),
- (2) the deduction under section 164 (relating to taxes),
- (3) the deduction under section 165(a) for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d),

(4) the deductions under section 170 (relating to charitable, etc., contributions and gifts) and section 642(c) (relating to deduction for amounts paid or permanently set aside for a charitable purpose),

(5) the deduction under section 213 (relating to medical, dental, etc., expenses),

(6) any deduction allowable for impairment-related work expenses,

(7) the deduction under section 691(c) (relating to deduction for estate tax in case of income in respect of the decedent),

(8) any deduction allowable in connection with personal property used in a short sale,

(9) the deduction under section 1341 (relating to computation of tax where taxpayer restores substantial amount held under claim of right),

(10) the deduction under section 72(b)(3) (relating to deduction where annuity payments cease before investment recovered),

(11) the deduction under section 171 (relating to deduction for amortizable bond premium), and

(12) the deduction under section 216 (relating to deductions in connection with cooperative housing corporations).

#### (c) Disallowance of indirect deduction through pass-thru entity

##### (1) In general

The Secretary shall prescribe regulations which prohibit the indirect deduction through pass-thru entities of amounts which are not allowable as a deduction if paid or incurred directly by an individual and which contain such reporting requirements as may be necessary to carry out the purposes of this subsection.

##### (2) Treatment of publicly offered regulated investment companies

###### (A) In general

Paragraph (1) shall not apply with respect to any publicly offered regulated investment company.

###### (B) Publicly offered regulated investment companies

For purposes of this subsection—

###### (i) In general

The term “publicly offered regulated investment company” means a regulated investment company the shares of which are—

(I) continuously offered pursuant to a public offering (within the meaning of section 4 of the Securities Act of 1933, as amended (15 U.S.C. 77a to 77aa)),

(II) regularly traded on an established securities market, or

(III) held by or for no fewer than 500 persons at all times during the taxable year.

###### (ii) Secretary may reduce 500 person requirement

The Secretary may by regulation decrease the minimum shareholder requirement of clause (i)(III) in the case of regulated investment companies which experience a loss of shareholders through net redemptions of their shares.

**(3) Treatment of certain other entities**

Paragraph (1) shall not apply—

(A) with respect to cooperatives and real estate investment trusts, and

(B) except as provided in regulations, with respect to estates and trusts.

**(d) Impairment-related work expenses**

For purposes of this section, the term “impairment-related work expenses” means expenses—

(1) of a handicapped individual (as defined in section 190(b)(3)) for attendant care services at the individual’s place of employment and other expenses in connection with such place of employment which are necessary for such individual to be able to work, and

(2) with respect to which a deduction is allowable under section 162 (determined without regard to this section).

**(e) Determination of adjusted gross income in case of estates and trusts**

For purposes of this section, the adjusted gross income of an estate or trust shall be computed in the same manner as in the case of an individual, except that—

(1) the deductions for costs which are paid or incurred in connection with the administration of the estate or trust and which would not have been incurred if the property were not held in such trust or estate, and

(2) the deductions allowable under sections 642(b), 651, and 661,

shall be treated as allowable in arriving at adjusted gross income. Under regulations, appropriate adjustments shall be made in the application of part I of subchapter J of this chapter to take into account the provisions of this section.

**(f) Coordination with other limitation**

This section shall be applied before the application of the dollar limitation of the second sentence of section 162(a) (relating to trade or business expenses).

**(g) Suspension for taxable years 2018 through 2025**

Notwithstanding subsection (a), no miscellaneous itemized deduction shall be allowed for any taxable year beginning after December 31, 2017, and before January 1, 2026.

(Added Pub. L. 99-514, title I, §132(a), Oct. 22, 1986, 100 Stat. 2113; amended Pub. L. 100-647, title I, §1001(f), title IV, §4011(a), Nov. 10, 1988, 102 Stat. 3351, 3655; Pub. L. 101-239, title VII, §7814(f), Dec. 19, 1989, 103 Stat. 2414; Pub. L. 103-66, title XIII, §13213(c)(2), Aug. 10, 1993, 107 Stat. 474; Pub. L. 105-277, div. J, title IV, §4004(b)(1), Oct. 21, 1998, 112 Stat. 2681-910; Pub. L. 106-554, §1(a)(7) [title III, §319(2)], Dec. 21, 2000, 114 Stat. 2763, 2763A-646; Pub. L. 115-97, title I, §11045(a), Dec. 22, 2017, 131 Stat. 2088.)

## REFERENCES IN TEXT

Section 4 of the Securities Act of 1933, referred to in subsec. (c)(2)(B)(i)(I), is classified to section 77d of Title 15, Commerce and Trade.

## AMENDMENTS

2017—Subsec. (g). Pub. L. 115-97 added subsec. (g).

2000—Subsec. (f). Pub. L. 106-554 substituted “the second sentence” for “the last sentence”.

1998—Subsec. (b)(3). Pub. L. 105-277 substituted “for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d)” for “for losses described in subsection (c)(3) or (d) of section 165”.

1993—Subsec. (b)(6) to (13). Pub. L. 103-66 redesignated pars. (7) to (13) as (6) to (12), respectively, and struck out former par. (6) which read as follows: “the deduction under section 217 (relating to moving expenses)”.

1989—Subsec. (c)(4). Pub. L. 101-239 struck out par. (4) which read as follows: “TERMINATION.—This subsection shall not apply to any taxable year beginning after December 31, 1989.”

1988—Subsec. (b)(4). Pub. L. 100-647, §1001(f)(2), substituted “deductions” for “deduction” and inserted before comma at end “and section 642(c) (relating to deduction for amounts paid or permanently set aside for a charitable purpose)”.

Subsec. (c). Pub. L. 100-647, §4011(a), amended subsec. (c) generally. Prior to amendment subsec. (c) read as follows: “The Secretary shall prescribe regulations which prohibit the indirect deduction through pass-thru entities of amounts which are not allowable as a deduction if paid or incurred directly by an individual and which contain such reporting requirements as may be necessary to carry out the purposes of this subsection. The preceding sentence shall not apply—

“(1) with respect to cooperatives and real estate investment trusts, and

“(2) except as provided in regulations, with respect to estates and trusts.”

Pub. L. 100-647, §1001(f)(4), amended last sentence generally. Prior to amendment, last sentence read as follows: “The preceding sentence shall not apply with respect to estates, trusts, cooperatives, and real estate investment trusts.”

Subsec. (e). Pub. L. 100-647, §1001(f)(3), amended subsec. (e) generally. Prior to amendment, subsec. (e) read as follows: “For purposes of this section, the adjusted gross income of an estate or trust shall be computed in the same manner as in the case of an individual, except that the deductions for costs which are paid or incurred in connection with the administration of the estate or trust and would not have been incurred if the property were not held in such trust or estate shall be treated as allowable in arriving at adjusted gross income.”

Subsec. (f). Pub. L. 100-647, §1001(f)(1), added subsec. (f).

## EFFECTIVE DATE OF 2017 AMENDMENT

Pub. L. 115-97, title I, §11045(b), Dec. 22, 2017, 131 Stat. 2088, provided that: “The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 2017.”

## EFFECTIVE DATE OF 1998 AMENDMENT

Pub. L. 105-277, div. J, title IV, §4004(c)(2), Oct. 21, 1998, 112 Stat. 2681-911, provided that: “The amendment made by subsection (b)(1) [amending this section] shall apply to taxable years beginning after December 31, 1986.”

## EFFECTIVE DATE OF 1993 AMENDMENT

Amendment by Pub. L. 103-66 applicable to expenses incurred after Dec. 31, 1993, see section 13213(e) of Pub. L. 103-66 set out as a note under section 62 of this title.

## EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title.

## EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 1001(f) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514,

to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

Pub. L. 100-647, title IV, §4011(b), Nov. 10, 1988, 102 Stat. 3656, provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1987.”

#### EFFECTIVE DATE

Section applicable to taxable years beginning after Dec. 31, 1986, see section 151(a) of Pub. L. 99-514, set out as an Effective Date of 1986 Amendment note under section 1 of this title.

#### 1-YEAR DELAY IN TREATMENT OF PUBLICLY OFFERED REGULATED INVESTMENT COMPANIES UNDER 2-PERCENT FLOOR

Pub. L. 100-203, title X, §10104(a), Dec. 22, 1987, 101 Stat. 1330-386, provided that:

“(1) GENERAL RULE.—Section 67(c) of the Internal Revenue Code of 1986 to the extent it relates to indirect deductions through a publicly offered regulated investment company shall apply only to taxable years beginning after December 31, 1987.

“(2) PUBLICLY OFFERED REGULATED INVESTMENT COMPANY DEFINED.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘publicly offered regulated investment company’ means a regulated investment company the shares of which are—

“(i) continuously offered pursuant to a public offering (within the meaning of section 4 of the Securities Act of 1933, as amended (15 U.S.C. 77a to 77aa) [15 U.S.C. 77d]),

“(ii) regularly traded on an established securities market, or

“(iii) held by or for no fewer than 500 persons at all times during the taxable year.

“(B) SECRETARY MAY REDUCE 500 PERSON REQUIREMENT.—The Secretary of the Treasury or his delegate may by regulation decrease the minimum shareholder requirement of subparagraph (A)(iii) in the case of regulated investment companies which experience a loss of shareholders through net redemptions of their shares.”

### § 68. Overall limitation on itemized deductions

#### (a) General rule

In the case of an individual whose adjusted gross income exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the taxable year shall be reduced by the lesser of—

(1) 3 percent of the excess of adjusted gross income over the applicable amount, or

(2) 80 percent of the amount of the itemized deductions otherwise allowable for such taxable year.

#### (b) Applicable amount

##### (1) In general

For purposes of this section, the term “applicable amount” means—

(A) \$300,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),

(B) \$275,000 in the case of a head of household (as defined in section 2(b)),

(C) \$250,000 in the case of an individual who is not married and who is not a surviving spouse or head of household, and

(D) ½ the amount applicable under subparagraph (A) (after adjustment, if any, under paragraph (2)) in the case of a married individual filing a separate return.

For purposes of this paragraph, marital status shall be determined under section 7703.

#### (2) Inflation adjustment

In the case of any taxable year beginning in calendar years after 2013, each of the dollar amounts under subparagraphs (A), (B), and (C) of paragraph (1) shall be increased by an amount equal to—

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that section 1(f)(3)(A)(ii) shall be applied by substituting “2012” for “2016”.

If any amount after adjustment under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.

#### (c) Exception for certain itemized deductions

For purposes of this section, the term “itemized deductions” does not include—

(1) the deduction under section 213 (relating to medical, etc. expenses),

(2) any deduction for investment interest (as defined in section 163(d)), and

(3) the deduction under section 165(a) for casualty or theft losses described in paragraph (2) or (3) of section 165(c) or for losses described in section 165(d).

#### (d) Coordination with other limitations

This section shall be applied after the application of any other limitation on the allowance of any itemized deduction.

#### (e) Exception for estates and trusts

This section shall not apply to any estate or trust.

#### (f) Section not to apply

This section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(Added Pub. L. 101-508, title XI, §11103(a), Nov. 5, 1990, 104 Stat. 1388-406; amended Pub. L. 103-66, title XIII, §§13201(b)(3)(E), 13204, Aug. 10, 1993, 107 Stat. 459, 462; Pub. L. 105-277, div. J, title IV, §4004(b)(2), Oct. 21, 1998, 112 Stat. 2681-911; Pub. L. 107-16, title I, §103(a), June 7, 2001, 115 Stat. 44; Pub. L. 112-240, title I, §101(b)(2)(A), Jan. 2, 2013, 126 Stat. 2316; Pub. L. 115-97, title I, §§11002(d)(2), 11046(a), Dec. 22, 2017, 131 Stat. 2061, 2088; Pub. L. 115-141, div. U, title IV, §401(a)(33), Mar. 23, 2018, 132 Stat. 1186.)

#### INFLATION ADJUSTED ITEMS FOR CERTAIN YEARS

*For inflation adjustment of certain items in this section, see Revenue Procedures listed in a table under section 1 of this title.*

#### AMENDMENTS

2018—Subsec. (b)(2). Pub. L. 115-141 substituted “shall be” for “shall be shall be” in introductory provisions.

2017—Subsec. (b)(2)(B). Pub. L. 115-97, §11002(d)(2), substituted “1(f)(3)(A)(ii)” for “1(f)(3)(B)” and “2016” for “1992”.

Subsec. (f). Pub. L. 115-97, §11046(a), added subsec. (f).

2013—Subsec. (b). Pub. L. 112-240, §101(b)(2)(A)(i), added subsec. (b) and struck out former subsec. (b). Prior to amendment, text read as follows:

“(1) IN GENERAL.—For purposes of this section, the term ‘applicable amount’ means \$100,000 (\$50,000 in the case of a separate return by a married individual with- in the meaning of section 7703).