



Numeric Strategies, LLC

Tax, Accounting & Financial Solutions

Certified Public Accountants

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Re: Convenience Fees for Tax Payments by Credit and Debit Cards May be Deductible

Dear Clients:

The IRS has announced that convenience fees charged for paying federal individual income taxes electronically with a credit or debit card are deductible for some taxpayers who itemize. This announcement represents a change from the IRS's previous position on the deductibility of such fees.

Federal law prohibits the IRS from paying fees to service providers for credit and debit card transactions. Therefore, service providers generally charge taxpayers a convenience fee for paying their federal income tax with a credit or debit card. Convenience fees average 2.5 percent of the amount of the payment.

If you were charged these fees when you paid the balance due on last year's tax return, or when you paid your estimated tax payments for the current year, you may be able to deduct the fees. The convenience fees are deductible as a miscellaneous itemized deduction subject to two percent of adjusted gross income.

Therefore, in order to deduct the convenience fees, taxpayers must be eligible to file Schedule A of Form 1040 to itemize their deductions, and also have enough miscellaneous expenses to exceed 2 percent of their adjusted gross income. Fees are deductible in the year they are paid.

If you have any question on whether or not you may take the deduction or on your tax liability in general, please call our office at your earliest convenience.

Sincerely yours,

Jackie Spegele

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