

THE TAXABLE WARDROBE

Leveraging Fashion For Legal Deductions

Itemized Deduction/Self Employed Business Income



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RESEARCH QUESTION

Are there strategies we as taxpayers and fashion professionals can use to most advantageously generate tax deductions?

LEGAL FRAMEWORK AND IRS STANDARDS



IRC §162 vs §262

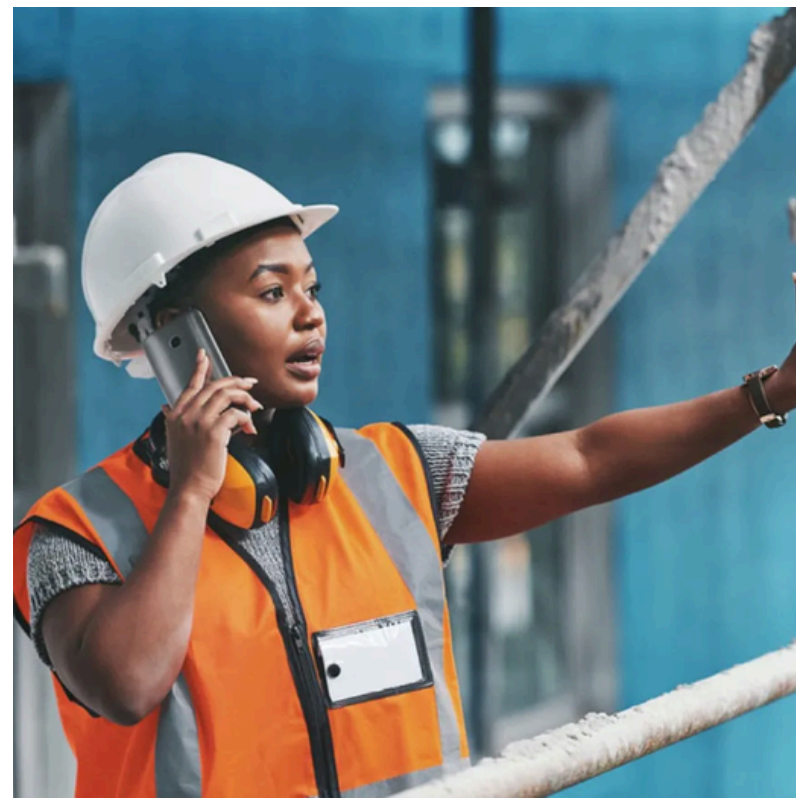
§162

- Trade or Business Expenses
- Deductions allowed for ordinary and necessary expenses incurred during business

§262

- Personal, Living, and Family Expenses
- Frivolous Schemes Prohibited
- Ordinary, necessary, and directly related to a bona fide trade or business

Three Pronged Test



The clothing must be required by the taxpayers place of work.



The clothing cannot be acceptable for everyday wear outside of work.



The clothing is ordinary and necessary, the taxpayer must not wear it outside of work.

QUALIFYING VS NON-QUALIFYING EXPENSES





Qualifying vs Non Qualifying



Required by employer or profession, not suitable for everyday wear, not worn outside of work, Industry specific tools.

vs



General business attire, personal clothing, frivolous or personal scheme, mixed use items

APPLICATION AND DOCUMENTATION





Pevsner v Commissioner

- **Case Background:** Sandra Pevsner, a boutique employee required to purchase and wear Yves Saint Laurent clothing for work, attempted to deduct \$1,380 in clothing expenses
- **Tax Court vs. Appeals Court:** The Tax Court initially allowed the deduction, but the Fifth Circuit Court of Appeals reversed, ruling the clothing was not "ordinary and necessary"
- **Three-Pronged Test Applied:** Pevsner's clothing failed the third prong.
- **Significance:** Demonstrates the blurred line between personal and professional clothing deductions and the case-by-case nature of IRS determinations.



Hamper v Commissioner

- **Case Background:** Ms. Hampner, a TV anchor, attempted to deduct \$80,000 in clothing expenses from 2005–2008.
- **IRS Ruling:** The Commissioner disallowed the deduction because the clothing was suitable for everyday wear.
- **Three-Pronged Test Applied:** Hampner's wardrobe failed the second prong.
- **Significance:** Even high profile figures cannot deduct clothing unless work specific

POLICY IMPROVEMENT



SUMMARY

- Advocating for work based clothing amongst tax deductions is pretty much impossible unless it is suitable for everyday wear and required
- The courts are consistently rejecting this idea even for professionals who depend on maintaining a certain appearance
- The rules/boundaries/laws remain restrictive with little to no change made

PROPOSED CHANGES

- Federally Managed Clothing Deduction: a modest clothing expense cap for all taxpayers
- Work and Appearance Maintenance Deduction: an above the line deduction for costs associated with upholding a professional appearance
- Fashion Industry Specific Deduction: a dedicated category for fashion professionals

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THANK YOU!

