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THE TAX LAWYER

Aug. 8 2012 — 11:12 pm

‘Use it or Lose it’ Applies To Your Taxes

There’s **a lot** about tax laws that is hard to understand. The rules are technical and numerous. Some are downright Byzantine.

Even if you think you understand a particular corner of the tax law, there’s always a special rule, an exception or an exception to the exception that can trip you up. Then there are the murky judgment calls about how confident you feel. Would you be able to substantiate something if the IRS asks?

If you incur expenses but don’t have receipts, should you claim them anyhow, hope the IRS doesn’t audit but if it does, concede you lost them? See [Need A Tax Receipt?](#) Or if you know you can’t substantiate them, should you not claim them? There aren’t perfect answers to these and many other questions.

Some taxpayers and tax advisers come out differently. There is often a push-me pull-you debate between the taxpayer, spouse, business partner or professional adviser about how conservative or aggressive to be on a tax return. Are you very conservative, very aggressive or somewhere in between?



A fair number of taxpayers that are clearly entitled to tax benefits simply don't claim them. That's even true with businesses on tax breaks that are specifically enacted to encourage business behavior. This counter-intuitive trend is widespread. See [Firms Pass Up Tax Breaks, Citing Hassles, Complexity](#).

Some tax breaks are so extraordinarily complicated and so record-intensive that taxpayers—including big companies—decide it's just not worth the effort. That makes you wonder about the sense of enacting all these complex tax laws in the first place. Well, at least taxpayers are under no **obligation** to claim tax breaks right?

Yes and no. With some tax breaks, if you don't claim them you are treated for some purposes as if you did. For example, if you own a building and are entitled to depreciation, must you claim it?

Not really. However, when you sell it the depreciation may be recaptured. Curiously, the recapture may apply not just on the depreciation you **actually** claimed, but on what you **could have** claimed too.

This is just one illustration of something all the debate about candidates' tax returns should make clear: our tax system is bloated to the bursting point. It is massively over-complicated and needs an overhaul not just of tax rates.

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