

IRS News Release

Media Relations Office
www.IRS.gov/newsroom

Washington, D.C.

Media Contact: 202.622.4000
Public Contact: 800.829.1040

Credit and Debit Card Fees Related to Tax Payment are Deductible

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WASHINGTON — Credit or debit card convenience fees charged for paying federal individual income taxes electronically are deductible for some taxpayers who itemize, the Internal Revenue Service announced today.

Federal law bars the IRS from paying any fees associated with these credit or debit transactions. Card processors normally charge taxpayers for convenience fees when they use their credit or debit card to pay taxes. Fees vary but average about 2.5 percent of the tax payment.

In reassessing a previous position, the IRS decided that the convenience fees associated with the payment of federal tax, including payment of estimated tax, can be included as a miscellaneous itemized deduction. However, only those miscellaneous expenses that exceeded 2 percent of the taxpayer's adjusted gross income can be deducted.

Not everyone who pays the fees will be able to deduct them. Taxpayers first must be eligible to file a Form 1040 Schedule A to itemize their expenses. And, taxpayers must have enough miscellaneous expenses to exceed the 2 percent threshold. These expenses include items such as tax preparation costs, job search expenses and unreimbursed employee expenses.

For details on claiming miscellaneous deductions and figuring the 2 percent limit, see [Publication 529](#). The fees are deductible in the tax year they occur. For example, fees charged to payments made during 2009 can be claimed on the 2009 return filed next year.

Most individuals still pay their federal tax obligations by check, but last year more than 4 million taxpayers electronically paid their taxes.

There are free options available. Taxpayers can have funds electronically withdrawn from their bank accounts or use the Electronic Federal Tax Payment System ([EFTPS](#)). Payments can be made either on-line or by phone, 24 hours a day, 7 days a week. Further details on these options are in the instructions for Form 1040 and under [Electronic Payment Options for Individuals](#) on IRS.gov.