Freedom Can be Taxing

By Reg P. Wydeven
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In several articles I've pointed out that America is the greatest country in the world. All-you-can-eat buffets, rock-n-roll and rented DVDs mailed right to your door are just some of the things that make our nation the envy of the world. We have freedom of religion, expression and the press, which means I can write about Star Wars every week without worrying about going to jail.

But the freedom our country enjoys comes at a tremendous price, both figuretively, with the sacrifices of the brave men and women in the armed forces defending our liberties, and literally, with our multi-trillion dollar budget.

With such a large deficit, the Internal Revenue Service is under tremendous pressure to find ways to bring in tax dollars. Take, for example, the IRS's decision to deny Rhiannon O'Donnabhain's $25,000 tax deduction for medical expenses she incurred from surgery. The IRS cited the fact that the procedure was cosmetic and not a medical necessity, and therefore, not deductible.

O'Donnabhain is suing the IRS in the U.S. Tax Court, claiming her surgery was far more than cosmetic. In 2001, O'Donnabhain had a sex-change operation and claimed the deduction for the $25,000 procedure. In 1996, O'Donnabhain began seeing a psychotherapist who eventually diagnosed her with gender-identity disorder and recommended sex-change surgery, finding it was a medically necessary. A psychologist who examined O'Donnabhain concurred.

The IRS denied the deduction citing the section of the tax code that says cosmetic surgery or similar procedures are deductible only when they are needed to improve a congenital abnormality, an accident or trauma, or a disfiguring disease. O'Donnabhain counters by claiming that gender-identity disorder is a recognized mental disorder that is generally treated with hormones and surgery, so the costs are legitimate medical deductions. The case is being monitored closely, as the Gay and Lesbian Medical Association estimates that between 1,600 to 2,000 people undergo sex-change surgery in the United States each year.

There is another recent example of the IRS's creativity in generating revenue, even though it's completely out of left field. Barry Bonds, the muscular San Francisco Giants left fielder, recently hit his 756th home run, breaking Hank Aaron's long-standing record of career dingers. New York Mets fan Matt Murphy emerged with the ball from a WWE-like battle royal in the right-center field stands of AT&T Park. Apparently Murphy's Law applies to Matt as well.

Many legal experts believe the IRS will take the stance that by catching the ball, Murphy received taxable income equal to the value of the ball, estimated to be worth $500,000. If so, this would put Murphy in the highest 35% tax bracket, meaning he would pay well over $100,000 in income taxes. This would essentially force him to sell the ball, just so he can pay the taxes.

The IRS has previously looked at taxing a baseball. In 1998, when St. Louis Cardinal slugger Mark McGwire broke Roger Maris' single season home run record with his 62nd tater, the IRS initially said that acquiring the ball could be subject to taxes, even if it was returned to McGwire. The IRS quickly reversed its position.

It's ironic that the IRS can tax people for finding balls but yet not allow people to take a tax deduction for losing their…gender.