April Madness: The Final Four

By Robert G. Nassau

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Alas, the carriage is once again a pumpkin. Despite having all of America rooting for it, breastfeeding costs was defeated by home mortgage interest. Home mortgage interest had the dollars on its side; breastfeeding costs had the people — particularly the renters of America — on its side. In the end, the money won.

''We tried our best,'' said the breastfeeding costs' coach before a tour of the various morning shows. ''Home mortgage interest is a great provision and provides a lot of deductions. In the end, we couldn't match up against that. I think we'll be back next year. We may be around longer than home mortgage interest. There's no use crying over spilled milk.''

Home mortgage interest's celebration was short-lived, as it was promptly dispatched in the Elite Eight by the standard deduction, a quiet provision that is used by millions of taxpayers. Standard deduction, the 2007 runner-up, started this year's tournament by cruising past the amortizable bond premium. Declining interest rates have made the amortizable bond premium more applicable than ever, and many pundits thought this was the year it would break through. But standard deduction would have none of it. Next up was net operating losses, a mercurial and complex provision that very few truly understand; it proved no match for the standard deduction. In the Sweet Sixteen, things got tougher, as the standard deduction faced off against charitable contributions, an impressive winner over alimony deductions and entertainment expenses. However, the volume of taxpayers claiming the standard deduction simply overwhelmed charitable contributions (which, given the state of the economy, is generally having an off year). In her typically taciturn way, the standard deduction coach, N.O. Idemise, had little to say: ''It's all about the provision.''

Like breastfeeding costs, the other Sweet Sixteen Cinderellas were all dismissed from the tournament: Personal injuries were ousted by health insurance; scholarships were beaten by principal residence sale; and distilled spirits were bottom-upped by the earned income credit. That left the usual suspects still standing in the Elite Eight, and presaged some tumultuous battles to join the standard deduction in the Final Four.

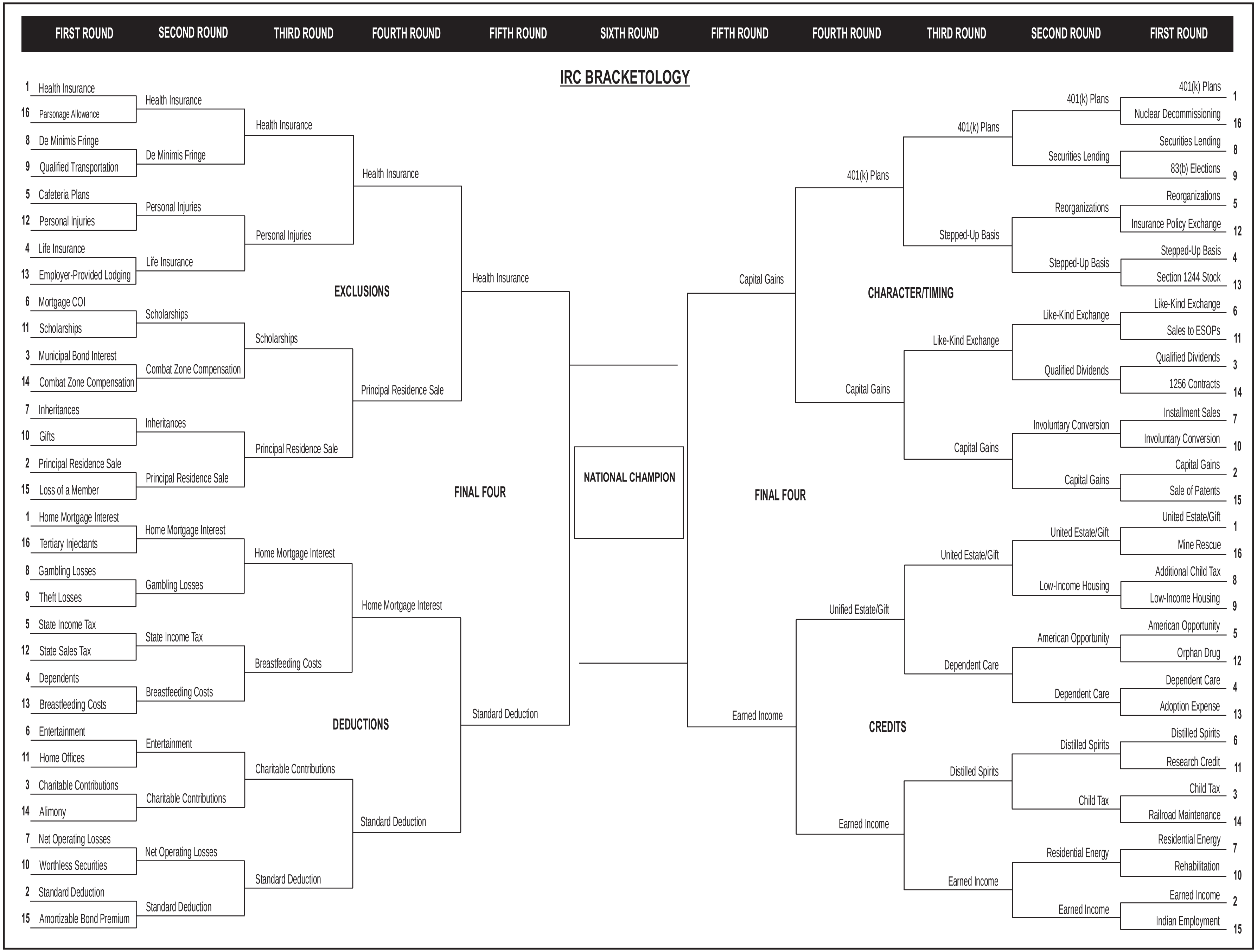
In the Credits Regional, it was the earned income credit versus the unified estate/gift credit. With its $5 million basic exclusion amount and the hopes and dreams of subtitle B, the unified estate/gift credit, fresh out of a short-lived retirement, was a slight favorite. Its supporters filled the sidelines, while fans of the earned income credit had to watch from afar. Yet in true David versus Goliath fashion, it was the earned income credit that pulled out the victory. ''It came down to refundability,'' concluded the color commentator. ''You've got to love refundable credits, and the earned income credit is one of 'em. That was the difference in crunchtime.''

True to its word, capital gains avenged qualified dividends by stomping like-kind exchanges. The real estate bar claimed that the ''fix was in,'' but one noted IRC bracketologist said that until foreign and domestic real property are considered like kind, that section has no long-term future in the tournament: ''I can understand livestock of different sexes being non-like-kind, but Canadian and American land? Makes no sense. And anyway, capital gains are the 1,000-pound gorilla in the room. They're going all the way.'' He may be right, as capital gains punched their ticket for the Final Four by slicing through 401(k) plans, which had been untested in three previous encounters and were totally unprepared for their match against capital gains.

The final section to have successfully navigated the Road to 1111 Constitution Avenue is health insurance — from the Exclusions Regional — which had little trouble with either personal injuries or principal residence sale. ''Principal residence sale's best days are behind it,'' said the health insurance coach. ''No one needs it anymore, but they still need us!''

And so the Final Four is set: health insurance versus standard deduction in the early game, followed by capital gains and the EITC. May the best section win.

(Bracket appears on the following page.)


FIRST ROUND
SECOND ROUND
THIRD ROUND
FOURTH ROUND
FIFTH ROUND
SIXTH ROUND
FIFTH ROUND
FOURTH ROUND
THIRD ROUND
SECOND ROUND
FIRST ROUND
IRC BRACKETOLOGY
EXCLUSIONS
1 Health Insurance
16 Parsonage Allowance
8 De Minimis Fringe
9 Qualified Transportation
5 Cafeteria Plans
12 Personal Injuries
4 Life Insurance
13 Employer-Provided Lodging
6 Mortgage COI
11 Scholarships
3 Municipal Bond Interest
14 Combat Zone Compensation
7 Inheritances
10 Gifts
2 Principal Residence Sale
15 Loss of a Member
Health Insurance
De Minimis Fringe
Personal Injuries
Life Insurance
Scholarships
Combat Zone Compensation
Inheritances
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Health Insurance
Personal Injuries
Scholarships
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Principal Residence Sale
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13 Breastfeeding Costs
6 Entertainment
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14 Alimony
7 Net Operating Losses
10 Worthless Securities
2 Standard Deduction
15 Amortizable Bond Premium
Home Mortgage Interest
Gambling Losses
State Income Tax
Breastfeeding Costs
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Net Operating Losses
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FINAL FOUR
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Residential Energy
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United Estate/Gift
Dependent Care
Distilled Spirits
Earned Income
Unified Estate/Gift
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