was specified in dollars in the obligation and
does not exceed 1 year’s interest at the rate
fixed in the obligation, the $100 is considered
under paragraph (d) (2) of this section to be
a normal call premium on a comparable non-
convertible obligation. Accordingly, A may
deduct the $100 under §1.163–3(c).
(T.D. 7259, 38 FR 4254, Feb. 12, 1973, as amend-

ITEMS NOT DEDUCTIBLE

§ 1.261–1 General rule for disallowance
of deductions.

In computing taxable income, no de-
duction shall be allowed, except as oth-
erwise expressly provided in Chapter 1
of the Code, in respect of any of the
items specified in Part IX (section 262
and following), Subchapter B, Chapter
1 of the Code, and the regulations
thereunder.

§ 1.262–1 Personal, living, and family
expenses.

(a) In general. In computing taxable
income, no deduction shall be allowed, ex-
cept as otherwise expressly provided
in chapter 1 of the Code, for personal,
living, and family expenses.

(b) Examples of personal, living, and
family expenses. Personal, living, and
family expenses are illustrated in the
following examples:

(1) Premiums paid for life insurance
by the insured are not deductible. See
also section 264 and the regulations
thereunder.

(2) The cost of insuring a dwelling
owned and occupied by the taxpayer as
a personal residence is not deductible.

(3) Expenses of maintaining a house-
hold, including amounts paid for rent,
water, utilities, domestic service, and
the like, are not deductible. A taxpayer
who rents a property for residential
purposes, but incidentally conducts
business there (his place of business
being elsewhere) shall not deduct any
part of the rent. If, however, he uses
part of the house as his place of busi-
ness, such portion of the rent and other
similar expenses as is properly attrib-
utable to such place of business is de-
ductible as a business expense.

(4) Losses sustained by the taxpayer
upon the sale or other disposition of
property held for personal, living, and
family purposes are not deductible. But
see section 165 and the regulations
thereunder for deduction of losses sus-
tained to such property by reason of
loss of earnings, etc.

(5) Expenses incurred in traveling
away from home (which include trans-
portation expenses, meals, and lodging)
and any other transportation expenses
are not deductible unless they qualify
as expenses deductible under section
162, §1.162–2, and paragraph (d) of
§1.162–5 (relating to trade or business
expenses), section 170 and paragraph
(a) (2) of §1.170–2 or paragraph (g) of
§1.170A–1 (relating to charitable con-
tributions), section 212 and §1.212–1 (re-
lying to expenses for production of in-
come), section 213(e) and paragraph (e)
of §1.213–1 (relating to medical ex-
penses) or section 217(a) and paragraph
(a) of §1.217–1 (relating to moving ex-
penses). The taxpayer’s costs of com-
muting to his place of business or em-
ployment are personal expenses and do
not qualify as deductible expenses. The
costs of the taxpayer’s lodging not in-
curred in traveling away from home
are personal expenses and are not de-
ductible unless they qualify as deduct-
ible expenses under section 217. Except
as permitted under section 162, 212, or
217, the costs of the taxpayer’s meals
not incurred in traveling away from
home are personal expenses.

(6) Amounts paid as damages for
breach of promise to marry, and attor-
ney’s fees and other costs of suit to re-
cover such damages, are not deduct-
ible.

(7) Generally, attorney’s fees and
other costs paid in connection with a
divorce, separation, or decree for sup-
port are not deductible by either the
husband or the wife. However, the part
of an attorney’s fee and the part of the
other costs paid in connection with a
divorce, legal separation, written sepa-
ration agreement, or a decree for sup-
port, which are properly attributable
to the production or collection of
amounts includible in gross income
under section 71 are deductible by the
wife under section 212.

(8) The cost of equipment of a mem-
ber of the armed services is deductible
only to the extent that it exceeds non-
taxable allowances received for such
equipment and to the extent that such
equipment is especially required by his
profession and does not merely take
§ 1.263(a)–0

This section lists captioned paragraphs contained in §§1.263(a)–1 through 1.263(a)–5.

§ 1.263(a)–1 Capital expenditures; in general.

§ 1.263(a)–2 Examples of capital expenditures.

§ 1.263(a)–3 Election to deduct or capitalize certain expenditures.

§ 1.263(a)–4 Amounts paid to acquire or create intangibles.

(a) Overview.

(b) Capitalization with respect to intangibles.

(1) In general.

(2) Published guidance.

(3) Separate and distinct intangible asset.

(i) Definition.

(ii) Creation or termination of contract rights.

(iii) Amounts paid in performing services.

(iv) Creation of computer software.

(v) Creation of package design.

(vi) Coordination with other provisions of the Internal Revenue Code.

(1) In general.

(ii) Example.

(c) Acquired intangibles.

(1) In general.

(2) Readily available software.

(3) Intangibles acquired from an employee.

(4) Examples.

(d) Created intangibles.

(1) In general.

(2) Financial interests.

(i) In general.

(ii) Amounts paid to create, originate, enter into, renew or renegotiate.

(iii) Renegotiate.

(iv) Coordination with other provisions of this paragraph (d).

(2) In general.

(3) Prepaid expenses.

(i) In general.

(ii) Examples.

(3) Certain members and privileges.

(i) In general.

(ii) Examples.

(4) Certain rights obtained from a government agency.

(i) In general.

(ii) Examples.

(iii) Certain contract rights.

(i) In general.

(ii) Amounts paid to create, originate, enter into, renew or renegotiate.

(iii) Renegotiate.

(4) Right.

(v) De minimis amounts.

(vi) Exception for lessee construction allowances.

(vii) Examples.

(i) In general.

(ii) Certain break-up fees.

(iii) Examples.

(5) Certain benefits arising from the provision, production, or improvement of real property.

(i) In general.

(ii) Exclusions.

(iii) Real property.

(iv) Impact fees and dedicated improvements.

(v) Examples.

(i) In general.

(ii) Defense or perfection of title to intangible property.

(i) In general.

566