Will I Still Itemize Deductions? Tax law provides taxpayers with a “standard deduction” that they can subtract from income to determine their net taxable income. In 2024 the standard deduction for a married couple filing jointly is $29,200, head of household is $ 21,900 and $14,600 for single taxpayers. So what are these itemized deductions? There are 5 main categories, and they are added up on IRS Form 1040, Schedule A. Surprisingly only 2 or 3 categories provide any real deductions for most people. Let’s do a short review of the main categories and point out some planning ideas as we go through them. **Medical expenses** Congress allows you to add up all of your medical costs for the “diagnosis, cure, mitigation, treatment or prevention of disease” within certain guidelines. Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins. An easy way to summarize whether a medical bill is deductible or not is to ask whether it was prescribed by a doctor-if so it is probably deductible, if not, sorry it is probably not deductible, except for health insurance. The tax problem with medical expenses is that they actually provide no deduction for most people! Why? Medical costs get to be included in the list of itemized deductions only if they are more than a percentage of income, which is 7.5%. So if your family income is $100,000 and you spend $7,000 for medical costs, you get no deduction. Even if you have more than 7.5% of income in medical costs, you are only allowed to deduct the amount that is in excess of 7.5%. Again, if your family income is $100,000 and you spend $10,500 on medical bills, you can only include $3,000 in your list of itemized deductions. So what can we do to plan for medical costs-it sounds like a waste of time? Well for most of us, it is a waste of time. However, if you have kids needing braces, or you have major dental, eye or medical expenses coming soon, about the only way to plan for deducting medical costs is to try and bunch all of your costs in one year. If you have had little medical expenses this year, you might want to hold off and get things done the first of next year, with the opposite being true if you already have spent a lot of money this year on medical costs, glasses, dentists and health insurance, the main categories of expenses. **Taxes** The list of deductible taxes includes state and local income tax and property tax. It does not include Federal tax. This deduction includes state tax withheld from your paycheck, which is commonly overlooked by people preparing their own returns. The total deduction for taxes paid this year is limited to $10,000, regardless of the type. For most people that are homeowners there is not a lot of planning opportunity here however because their property tax and state income tax will often exceed the $10,000 limit. **Home mortgage interest** deduction is the thing that usually allows people to accumulate enough itemized deductions to exceed the standard deduction. As a general rule if you don’t have a home mortgage you won’t be able to itemize. Congress allows you to include home mortgage interest in your list of itemized deductions within certain guidelines. You must own the home, the mortgagee must have a lien against your property, you have to actually pay the interest, and you are limited to interest on a loan. Residences purchased after 12/15/2017 you are limited on the amount of interest you can claim, the maximum mortgage amount is $750,000. These rules are pretty intricate, so we will leave their discussion to our office, but the simple thing to remember is to always retain IRS Form 1098 each year, because that is where the amount of interest you paid is reported. Is there any planning you can do with home mortgage interest? Actually yes there is. First time homebuyers should always buy a home early in the year so that they get a full year of interest deductions to add in to the itemized list and possibly exceed the standard deduction. Existing homeowners should always go to their mortgagor near the end of the year and make an extra payment to pay any interest that has accrued since the last payment-this makes sense for both

income tax and financial planning purposes. There is no longer ANY deduction for equity lines, 2ndmortgages, HELOC''s or similar items unless the borrowed money was used to improve your home. **Charity** You are allowed to deduct contributions to an IRS approved not for profit institution 501(c) 3. If the Internal Revenue Service has not approved institution there is no deduction for money given to them. The best planning ideas for charity involve trying to bunch contributions in one year. If you have given quite a bit this year, consider going ahead and paying next year's amount in this year as well. If you are going to make a special gift, do it in a year that you already know you will have enough itemized deductions to exceed the standard deduction. The other thing to remember for charities is that you must have a receipt.