2013 Personal Tax Deductions and Credits

The following list, while not all-inclusive, outlines many of the more common personal deductions and credits by type. For further information on any specific item, please see IRS Publication 17 or the instructions for Form 1040:

- **Above-the-Line Deductions**
  - Items deducted to arrive at Gross Income -
    - Trade or business expenses
      - Reported on Schedule C
    - Rent and royalty expenses, including depreciation and depletion
      - Reported on Schedule C if personal property rental
      - Reported on Schedule E if royalty or real property rental
    - Loss from sales and exchanges
      - Reported on Schedule D if nonbusiness
      - Reported on Form 4797 if business
    - Net operating loss deduction
  - Items deducted to arrive at Adjusted Gross Income -
    - Contributions to traditional IRA’s
    - Contributions to SIMPLE, SEP and qualified plans
    - Alimony payments
    - Student loan interest paid
    - Contributions to health savings account
    - Moving expenses
    - One-half of self-employment tax
    - Self-employed health insurance
    - Penalty on the early withdrawal of savings
    - Up to $250 of educator’s expenses
    - Tuition and fees deduction
    - Certain business expenses of reservists, performing artists and fee-basis government officials
    - Jury duty pay remitted to your employer
    - Supplemental unemployment compensation repayments
    - Legal fees and costs paid in certain actions involving civil rights violations or whistleblower awards
    - Domestic production activities deduction

- **Below-the-Line Deductions (Itemized Deductions)**
  - Medical expenses - subject to 10% of AGI (7.5% if over 65 years of age)
    - Prescription medicine
    - Medical, dental and long-term care insurance premiums
    - Doctor, dentist, chiropractic, acupuncturist, therapist and psychologist fees
    - X-ray, laboratory and diagnostic testing
    - Nursing assistance
    - Hospital care
    - Medicare Part B supplemental and Part D insurance
    - Eyeglasses, hearing aids, braces, crutches, wheelchairs and guide dogs
      - Including the maintenance thereof
    - Lodging and travel in connection with medical care
• Taxes
  o Option to claim sales taxes or state and local income taxes
  o Real estate taxes
  o Personal property taxes that are based on value alone on an annual basis
  o Foreign taxes paid (if foreign tax credit is not claimed)
• Mortgage interest
  o A home mortgage is any loan that is secured by your main home or second home
  o Includes first and second mortgages, home equity loans, and refinanced mortgages
  o Limits –
    ➢ $1.0 million of total principal to buy, build, or improve either or both homes
    ➢ $100,000 of total principal for purposes other than to buy, build, or improve either or both homes
• Mortgage insurance premiums
• Investment interest
• Charitable contributions
• Casualty and theft losses – related to personal use property only
• Miscellaneous deductions - subject to 2% of AGI
  o Unreimbursed job-related employee expenses
    ➢ Equipment and supplies
    ➢ Protective clothing
    ➢ Home office
    ➢ Vehicle
    ➢ Union and professional dues
    ➢ Professional and trade publication subscriptions
    ➢ Continuing education and training
    ➢ Portion of educator’s expenses in excess of $250 deducted for AGI
    ➢ Job search
  o Other miscellaneous expenses
    ➢ Income tax preparation fees
    ➢ Audit fees
    ➢ Investment and income-producing property expenses
      o IRA and other investment account maintenance fees
      o Legal, accounting and financial advice fees
      o Investment publication subscriptions
      o Margin interest
• Other Miscellaneous deductions - not subject to 2% of AGI
  o Gambling losses to the extent of gambling winnings
  o Estate taxes on income
  o Casualty and theft losses – related to business and income-producing property

- Refundable Credits
  • Additional Child Tax Credit
  • American Opportunity Credit (up to 40% refundable)
  • Credit for excess Social Security withholding
  • Earned Income Credit
  • Health Coverage Tax Credit

- Non-refundable Credits
  • Adoption Credit
  • Alternative (Hybrid) Motor Vehicle Credit
  • Alternative Fuel Vehicle Refueling Property Credit
  • American Opportunity Credit
  • Child and Dependent Care Credit
  • Child Tax Credit
  • Credit for the Elderly and Disabled
  • Credit for Prior Year Minimum Tax
  • Foreign Tax Credit
  • General Business Credit
• Lifetime Learning Tax Credit
• Mortgage Interest Credit
  o limited to those with qualified Mortgage Credit Certificate
• Residential Energy Credits
• Retirement Savings Contributions Credit

Generally, above-the-line deductions are more desirable than itemized deductions because they:

▪ can be claimed even if the taxpayer does not itemize deductions;
▪ are not phased out or subject to a floor like many itemized deductions; and
▪ lower the taxpayer’s AGI which can favorably impact –
  ▪ the allowable portion of certain itemized deductions;
  ▪ the taxability of social security benefits; and
  ▪ the alternative minimum tax

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