

# Balance *sheet*

## Itemized Deductions

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The 2017 tax reform act made changes to itemized deductions. The following summarizes the rules for itemized deductions beginning for the year 2018.



### Medical and Dental Expenses

You can deduct only the medical and dental expenses that exceed 7.5% of adjusted gross income listed on Form 1040, line 38.

Examples of medical payments that you can deduct:

- Without reimbursement, you can deduct what you pay for insurance, such as insurance premiums for medical and dental care, premiums for qualified long-term care contracts. However, you cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form W-2.
- Prescriptions, medicines, doctors, dentist, chiropractors, etc.
- Medical examinations, X-ray, hospital care, glasses, hearing aids, braces.
- Ambulance service and other travel cost including the use of your own vehicle at 17 cents per mile.

### Taxes you paid

- You can deduct state, local and school taxes that were withheld from your wages.
- You can deduct state, local and school taxes that you paid for a prior year along with tax estimates paid for the current year.
- You can deduct state and local general sales taxes instead of state, local and school, but you cannot deduct both.
- You can deduct real estate taxes you paid on real estate you own that was not used for business.
- With the passage of the Tax Cuts and Jobs Act (TCJA) you can only deduct the first \$10,000 of taxes for the years 2018-2025.

### Interest you paid

- Mortgage interest that you can deduct are any loans secured by your main home or second home, including first and second mortgages, home equity loans and refinanced mortgages.
- Before the passage of the TCJA, the deduction was limited to acquisition indebtedness of up to \$1 million, plus home equity indebtedness of up to \$100,000. For tax years 2018-2025 the interest on home equity indebtedness not used for home improvements is eliminated and the deduction for mortgage interest is limited to the underlying indebtedness of up to \$750,000. The new lower limit does not apply to any acquisition indebtedness incurred before December 31, 2017.



## **Gift to Charity**

- You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational.
- Contributions can be in cash (keep all records of contributions), if you drive your own car for volunteer work you can take mileage at 14 cents per mile.
- Contributions of non-cash items, such as clothing, furniture, and household goods, can be deducted at their fair market value at the time you give them. Keep all receipts or written statements from the organization you gave the property to with the name, address, date of contribution, and value. Gifts of certain non-cash items over \$5,000 require an appraisal.

## **Casualty and Theft losses**

For tax years 2018-2025 this deduction is eliminated with the passage of the TCJA, except for personal casualty losses incurred in a federally-declared disaster area.

## **Miscellaneous Deductions**

For tax years 2018-2025, the deduction for miscellaneous itemized deductions that are subject to the 2% floor is eliminated. Examples of these items are tax preparation fees, investment fees, union dues, unreimbursed employee expenses that are common and accepted in your field of trade, business or profession.

If you would like to discuss how the changes in itemized deductions may affect you, please contact us.