

What tax deductions are still available to me?

Tax reform measures are enacted frequently by Congress, which makes it hard for U.S. taxpayers to know which deductions are currently available to help lower their tax liability. In fact, a former head of the IRS once said that millions of taxpayers overpay their taxes every year because they overlook one of the many key tax deductions that are available to them.1

Taxpayers may be able to take deductions for student-loan interest, out-of-pocket charitable contributions, health savings account, home mortgage interest, and contributions to a traditional IRA, and deductions for self-employed taxpayers (SE tax, SE health insurance, SE qualified retirement plan contributions). Of course, some tax deductions are limited or disappear as adjusted gross income increases.

Another key deduction is unreimbursed medical and dental expenses. Remember that you may only deduct medical and dental expenses to the extent that they exceed 7.5% of your adjusted gross income (AGI) and were not reimbursed by your insurance company or employer. The Tax Cuts and Jobs Act of 2017 reduced the threshold from 10% to 7.5% retroactively for 2017 and through 2018. In 2019, the threshold will increase to 10% of AGI.

Home mortgage interest has several modifications. Interest on a home equity loan is no longer deductible. Interest on a new home mortgage is limited to interest paid on a maximum of $750,000 ($375,000 if married filing separately (MFS)) of a new mortgage taken out after December 14, 2017. Taxpayers with a mortgage taken out before December 15, 2017 can continue to claim home mortgage interest on up to $1 million ($500,000 if MFS) going forward. Also, the $1 million ($500,000 if MFS) limit continues to apply to a refinanced mortgage incurred before December 15, 2017.

Personal casualty and theft losses are no longer generally deductible. The only exception is for certain losses in federally declared disaster areas.

The end of the year is the time to take one last good look to determine whether you qualify for a tax credit or deduction or whether you’re close to the cutoff point. If you're not close, you may opt to postpone incurring some medical or other expenses until the following year, when you may be able to deduct them. On the other hand, if you're only a little short of the threshold amount, you may want to incur additional expenses in the current tax year. With a little preparation and some help from a qualified tax professional, you may be able to lower your income taxes this year. You just have to plan ahead.

*NOTE: Most of the changes to itemized deductions will remain in place through 2025. In 2026, itemized deductions will generally follow the rules in place before the the Tax Cuts and Jobs Act of 2017.*

Source: 1) Kiplinger.com, December 2016

The information in this newsletter is not intended as tax, legal, investment, or retirement advice or recommendations, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek advice from an independent professional advisor. The content is derived from sources believed to be accurate. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. This material was written and prepared by Broadridge Advisor Solutions. © 2018 Broadridge Investor Communication Solutions, Inc.