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Finding Tax Deductions to Lower Your Tax Bill

ALEXANDRIA, VA, March 20, 2013 – Deductions and tax credits can be a taxpayer's best friends, but recently some taxpayers have tried to deduct costs of everything from swimming pools and bathtubs to groceries and BOTOX treatments.

The National Society of Accountants (NSA) advises against stretching the truth, but does encourage taxpayers to ensure that they are claiming all legitimate tax deductions to which they are entitled.

"The federal tax code has more deductions and credits than ever before, thanks to years of 'social engineering' to encourage people to buy homes, get an education, invest in a certain way, and hundreds of other things," says NSA Executive Vice President John Ams. "But it's up to taxpayers to find these deductions and credits and claim them."

Taxpayers should know some of the common expenditures that may be taken as deductions and credits on a personal tax return include:

- Owning a home. Interest paid on mortgages for primary and secondary residences is deductible, as are property taxes on a home if they're based on the assessed value of a home, and purchase points when securing a mortgage or refinancing.
- Mileage (24 cents/mile for medical or moving purposes, 14 cents/mile in the service of charitable organizations).
- Some medical expenses, such as bills or co-pays, ambulance rides, prescriptions, glasses, hearing aids, prosthetics and crutches. (Deductions for medical expenses only apply if the total of qualifying medical costs exceeds a certain percent of your adjusted gross income.)

- Charitable contributions (but dig out receipts for cash donations and written documentation from charities that describes non-cash gifts, their market value, and the date they were donated).
- Education costs provide deductions and credits under the American Opportunity Credit (many eligible taxpayers qualify for the maximum annual credit of \$2,500 per student, with full credit available to individuals whose modified adjusted gross income is \$80,000 or less, or \$160,000 or less for married couples filing a joint return), or the Lifetime Learning Credit (for the tax year, you may be able to claim a lifetime learning credit of up to \$2,000 for qualified education expenses paid for all students enrolled in eligible educational institutions).
- Natural disaster or theft. Generally you may deduct casualty and theft losses relating to your home, household items and vehicles (though not losses covered by insurance unless you file a timely claim for reimbursement and you reduce the loss by the amount of any reimbursement or expected reimbursement). This can include losses from flood, hurricane, tornado, fire or theft.
- The Child Tax Credit can cut your federal income tax by up to \$1,000 for each qualifying child under the age of 17. They must be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of these individuals (including your grandchild, niece or nephew, and adopted child). The child must be a U.S. citizen and have lived with you for more than half the year, among other conditions, and you must claim the child as a dependent on your federal tax return. Credit is limited if your modified adjusted gross income is above a certain amount.
- The Earned Income Tax Credit (EITC) has been the target of a lot of scrutiny in recent years, but a quarter of eligible taxpayers fail to claim it, according to the IRS. This refundable credit is designed to supplement wages for low-to-moderate income workers, but many individuals and families previously classified as "middle class" are now also eligible.

Many business deductions are also available, including:

- Some moving expenses related to taking a new job.
- 56.5 cents per mile allowed for business miles driven (daily commuting miles don't count), and some depreciation/maintenance deductions on your vehicle; plane or train tickets and lodging, as well as other costs incurred on a business trip, such meals and taxi fares.

- Home office expenses *if* you meet IRS guidelines for operating a home office, including painting or decorating your office; cleaning services for the business portion of your home, insurance on business equipment, and indirect expenses that apply to your entire home.
- Office rent or mortgage payments, electricity, water or gas bills, and office phone charges.
- Education expenses relating to a business, trade or occupation (but not for a career change or to start a new business).
- Half of some expenses for entertaining a client, customer or employee if it's related to your business or associated with your business (have on hand excellent records for business entertainment expenses).
- Public relations, promotion and advertising; trade shows, conventions and seminars; professional publications and associations' memberships; interest on business credit cards; Internet, email and regular mail services, including postage; office furniture, cards and stationery, office supplies, insurance, local business taxes and fees, and bank service charges.

Finding all the deductions and credits you may be eligible to receive can be daunting. Consider hiring a professional tax preparer who knows the tax code. Any additional deductions or credits a preparer finds can easily pay the fee charged to prepare a Form 1040 with a Schedule A plus a state tax return.

For more information and to find a qualified tax preparer in your area, visit www.nsacct.org.

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