20 Commonly Overlooked Tax Deductions
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Every year, without fail, thousands of taxpayers overpay on their taxes because they didn’t know to deduct certain expenses. Here is a list of many commonly overlooked tax deductions. Make sure you read this before you file your return.

1. **Sales Tax**
   A deduction is allowed for state sales tax if the amount, allowed from a table, based on your adjusted gross income, exceeds the amount of the state and local income tax deduction. Sales taxes paid on major items such as cars and boats may be added to the amount allowed from the table. The sales tax deduction will usually benefit those who live in states that do not impose an income tax. However, you must choose the state income tax deduction or the state sales tax deduction. You may not use both.

2. **Medical Expenses**
   Deductible medical expenses for you and your dependents include payments for the diagnosis, cure, mitigation, treatment and prevention of disease. This covers any part of the body, including health insurance premiums (whether paid directly or withheld from your paycheck), dental services and eye examinations. However, cosmetic procedures are excluded. Medical expenses will reduce taxable income when you itemize and the total expense for the year exceeds 10% of adjusted gross income for taxpayers under the age of 65. Individuals age 65 or older and their spouses are allowed to deduct unreimbursed medical care expenses that exceed 7.5% of their adjusted gross income.

3. **Commuting Expense**
   Commuting to a temporary work site can be a deductible expense. A work assignment is considered temporary if you have the expectation that it will last less than one year and it actually lasts for less than a year.

4. **Un-reimbursed Employee Expense**
   An employee with business expenses that are not are not reimbursed or exceed the amount reimbursed by the employer can generally deduct them as a miscellaneous itemized deduction subject to the 2% adjusted gross income limit.

5. **License Plate Fees**
   To the extent you pay fees for your license plates, and the fee is determined based on the value of your vehicle, you may deduct the cost of the fee as a personal property tax itemized deduction.

6. **Non-business Bad Debts**
   Subject to strict rules personal loans to a friend or associate that will not be repaid are deductible as short-term capital losses in the year they become totally worthless.

7. **Moving Expenses**
   You may deduct moving expenses if you moved because you changed jobs or are starting your first job. However, there are certain requirements, such as a distance test and a time test that must be met first.

8. **Mortgage (Re)financing**
   To get a deduction for points for your new home mortgage, be sure the loan document states that the points were not paid for any specific services that the lender performed or agreed to perform under the loan contract. Charges should be separately itemized on the financing and settlement statements.
9 Charitable Contributions

In general, you can deduct contributions of money or property that you make to or use for a qualified charitable organization. Information about tax organizations, including those eligible to receive tax-deductible charitable contributions may be found by using Exempt Organizations Select Check found on www.irs.gov. Cash contributions are allowable if you keep a record of the contribution. The record may be a bank document (such as a canceled check, a bank copy of a canceled check, or a bank statement containing the name of the charity, the date and the amount) or a written communication from the charity.

A deduction for clothing or household items you donate may be claimed for clothing or household items that are in good used condition or better. References are available to determine the approximate value of clothes, toys, furniture and household goods that you may donate.

Donations charged on credit cards in December and paid in January are deductible in the year the amount is charged on the credit card.

10 Investment Management and IRA Fees

The fees that you pay directly to an investment manager are deductible, subject to the 2% of adjusted gross income limit, except for the portion that relates to tax exempt income.

11 Investment Interest Expense

Interest expense paid on a loan for which the purpose of the loan was to fund an investment is deductible as an itemized deduction. The deduction is limited to the lesser of the amount of interest paid or amount of net investment income for the year. Interest not deducted in any one year may be carried forward to subsequent years until fully deducted.

12 Business Supplies/Business-Related Gifts

Items used and purchased for business, such as pens, paper, a calculator, a computer – even a briefcase, are deductible, generally subject to the 2% of adjusted gross income limit. If you travel as a requirement of your job, a business suitcase would be deductible. The key to these expenses is to relate the item to your business. For example, an international writer could deduct a computer, cost of internet access and a business suitcase because they are all items used in his/her business.

Once again, the key is that you use the items in the business. They don’t have to be “needed” items as long as they are reasonable and appropriate for your business.

13 Job-Hunting Expenses

If you’re out of work or employed but looking for a new job, you can deduct your job-hunting expenses as miscellaneous itemized deductions subject to the 2% of adjusted gross income limit. These expenses could include costs of resume preparation, travel costs, phone calls, and any other job-hunting related expenses.

14 Retirement Plans

Even though you are covered by a retirement plan at work, you can/may qualify to contribute, subject to limitations, to any one of three types of individual retirement accounts – a traditional deductible IRA, a (non deductible) Roth IRA, and a non-deductible IRA. These offer a great way to help build a retirement portfolio on a tax deferred (or even tax free) basis.

Self-employed individuals may have a Simplified Employee Pension Plan (SEP), a SIMPLE plan, or even a Keogh plan that can have the same benefits and deduction limits of the types of plans that large businesses have.

15 Tax-Deferred Investing

Annuities offer the opportunity to invest in a wide variety of mutual funds without paying income tax on the earnings until you withdraw funds from the annuity. These are looked on as retirement funding vehicles for those individuals that want to put more money away for retirement over and above what they are able to put away through their retirement plans at work.

16 Health Insurance Premiums

Self employed individuals can deduct 100% of health insurance premiums paid for the benefit of themselves and their dependents. There can be certain limitations involved.

Health insurance premiums paid, even if not deducted on the Federal income tax return as an
itemized deduction, can be used as a deduction from household income in determining the Michigan property tax (renters) credit.

17 Student Loan Interest Paid by Parents
Self employed individuals can deduct 100% of If you are not a dependant of your mom and/or dad, you can qualify to deduct up to $2,500 of student loan interest paid by them.

The IRS will treat the money your parents paid as a gift to you. Then, you can treat the payment as student loan interest paid by you. This treatment is advantageous when your parents are prevented from taking advantage of the student loan interest deduction due to limitations based on their income.

18 Rent (Michigan Only)
Paying rent on a Michigan homestead may qualify you for a Michigan property tax credit.

19 Theft and Casualty Losses
Losses incurred because of a theft, disaster or casualty, and not reimbursed by insurance, may be tax deductible.

20 Energy Efficient Improvements
Installation of some energy efficient improvements such as exterior doors or windows, insulation, heat pumps, furnaces, central air conditioners or water heaters may qualify you for a Federal credit on your tax return.

Make sure to consult with your accountant to see which of these apply to your specific situation.

If you have questions or would like to speak to someone regarding your tax return, please contact:

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