Standard Deductions and Itemized Deductions

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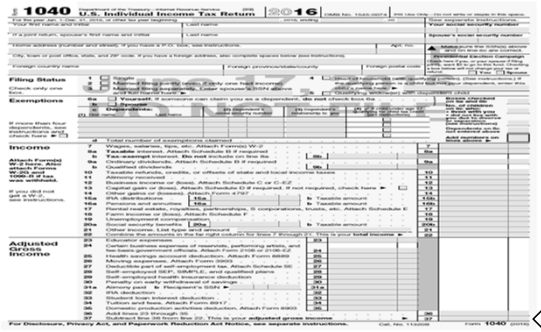
Goals

- Determine if a taxpayer should itemize deductions
- Determine the type of expenses that qualify as itemized deductions
  - Unable to cover all expenses due to the limited time frame
- Accurately report itemized deductions on Schedule A

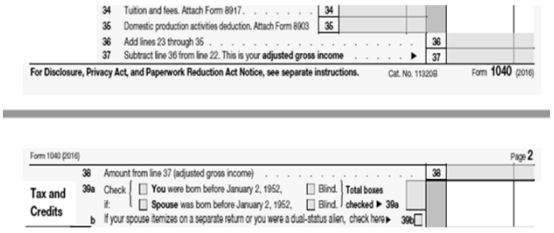
Key Terms

- Adjusted Gross Income (AGI)
  - The taxpayer's total adjusted gross income (AGI) is the amount used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses
- Itemized Deductions
  - Itemized deductions allow taxpayers to reduce their taxable income based on specific personal expenses
  - If the total itemized deductions are greater than the standard deduction, it will result in a lower taxable income and lower tax
- Standard Deduction
  - An amount provided by law and based on filing status, age, blindness, and dependency that taxpayers can deduct from their adjusted gross income before tax is determined

Adjusted Gross Income (AGI)



2016 Form 1040



Itemized Deductions

- Use Schedule A (Form 1040) to figure itemized deductions
- In most cases, the federal income tax will be less if the client takes the larger of the itemized deductions or the standard deduction
- If the client itemizes, they can deduct a part of medical and dental expenses and unreimbursed employee business expenses, and amounts paid for certain taxes, interest, contributions, and miscellaneous expenses
- You can also deduct certain casualty and theft losses
- Don't include on Schedule A, items deducted elsewhere, such as on Form 1040 or Schedule C, C-EZ, E, or F

Medical and Dental Expenses

- The client generally can deduct only the part medical and dental expenses that exceeds 10% of the amount on Form 1040, line 38 (AGI)
- However, if born before January 2, 1952 the client can deduct the part of the medical and dental expenses that exceed 7.5%
  - 2016 is the last year for this special percentage for individual 65 or older, unless extended by legislation

Examples of Medical and Dental Payments that are Deductible

- Insurance premiums for medical and dental care, including premiums for qualified long-term care insurance contracts
- Prescription medicines or insulin
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths the doctor ordered

Examples of Medical and Dental Payments that are Deductible

- Diagnostic tests, such as a full-body scan, pregnancy test, or blood sugar test kit
- Nursing help including the share of the employment taxes paid
- If the client paid someone to do both nursing and housework, they can deduct only the cost of the nursing help
- Hospital care (including meals and lodging)
- Clinic costs, and lab fees
- Qualified long-term care services
- The supplemental part of Medicare insurance (Medicare B)
- The premiums paid for Medicare Part D insurance
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal

Examples of Medical and Dental Payments that are Deductible

- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor
- Medical treatment at a center for drug or alcohol addiction
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel
  - Don't deduct more than $50 a night for each eligible person

Examples of Medical and Dental Payments that are Deductible

- Ambulance service and other travel costs to get medical care
- If the client uses their own car, they can claim what they spent for gas and oil to go to and from the place they received the care
- Or they can claim the 2016 Medical standard mileage rate of 19 cents per mile
- In addition, parking and tolls can be deducted
- Cost of breast pumps and supplies that assist lactation

Deceased Taxpayer

- Certain medical expenses paid out of a deceased client’s estate can be claimed on the deceased taxpayer's final return

Limit on Long-Term Care Premiums 2014-2015 Amounts

- The amount a client can deduct for qualified long-term care insurance contracts depends on the age, at the end of 2016, of the person for whom the premiums were paid

Your age in years, attained before the close of the taxable year	Maximum long term care insurance premiums you can include – tax year 2014	Maximum long term care insurance premiums you can include – tax year 2015
Age 40 or under	$370	$380
Age 41 to 50	$700	$710
Age 51 to 60	$1,400	$1,430
Age 61 to 70	$3,720	$3,800
Age 71 or over	$4,660	$4,750

2016 Long Term Care Limits

IF the person was, at the end of 2016, age . . .	THEN the most you can deduct is . .
40 or under	$ 390
41-50	$ 730
51–60	$1,460
61-70	$3,900
71 and over	$4,870

Examples of Medical and Dental Payments You Can't Deduct

- The cost of diet food
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease
- Life insurance or income protection policies
- The Medicare tax on wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes

Examples of Medical and Dental Payments You Can't Deduct

- Nursing care for a healthy baby
- Illegal operations or drugs
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA)
  - This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval
- Nonprescription medicines, other than insulin (including nicotine gum and certain nicotine patches)
- Travel the doctor told the client to take for rest or a change
- Funeral, burial, or cremation costs

Line 1 - Medical and Dental Expenses

SCHEDULE A (Form 1040)
Department of the Treasury Internal Revenue Service (99)

Itemized Deductions

▶ Information about Schedule A and its separate instructions is at www.irs.gov/schedulea.
▶ Attach to Form 1040.

OMB No. 1545-0074
2016
Attachment Sequence No. 07

Name(s) shown on Form 1040 | Your social security number

Medical and Dental Expenses

Caution: Do not include expenses reimbursed or paid by others.

1 Medical and dental expenses (see instructions) 1
2 Enter amount from Form 1040, line 38 2
3 Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead 3
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4

DRAFT AS OF

Medical Expenses Line 1

- Enter the total of medical and dental expenses, after the amount is reduced by any payments received from insurance or other sources
- If advance payments of the premium tax credit were made, or the client may be eligible for the premium tax credit, prepare Form 8962 before filling out Schedule A, line 1

Whose Medical and Dental Expenses Can the Client Deduct

- They can include medical and dental bills paid in 2016 for anyone who was one of the following, either when the services were provided or when they were paid
  - The client and the spouse
  - All dependents claimed on the return
  - A child whom the client doesn't claim as a dependent because of the rules for children of divorced or separated parents
  - Any person the client could have claimed as a dependent on the return except that person received $4,050 or more of gross income or filed a joint return
  - Any person the client could have claimed as a dependent except that the individual can be claimed as a dependent on someone else's 2016 return

Example

- The client provided over half of his/her mother's support but can't claim her as a dependent because she received wages of $4,050 in 2016
- The client can deduct any medical and dental expenses they paid in 2016 for the mother

Insurance Premiums for Certain Non-dependents

- The client may have a medical or dental insurance policy that also covers an individual who isn't a dependent (for example, a nondependent child under age 27)
- The client can't deduct any premiums attributable to this individual, unless they are such a person described under "whose medical and dental expenses can you include"
- However, if the client had family coverage when this individual was added to the policy and the premiums didn't increase, they would be considered medical and dental insurance premiums

Reimbursements

- If an insurance company paid the provider directly for part of the expenses, and the client paid only the amount that remained, only that part paid out of the client's pocket is a medical expense
- If the client deducted the expenses in an earlier year and the deduction reduced tax, they must include the reimbursement in income on Form 1040, line 21

Cafeteria Plans

- Don't include insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in income of Box 1 of the Form(s) W-2
- Also, don't include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of the Form(s) W-2

Once the Medical Expenses Are Determined

- The deduction is limited to an amount in excess of 10% of the AGI

Medical and Dental Expenses

Caution: Do not include expenses reimbursed or paid by others.

1 Medical and dental expenses (see instructions) 1

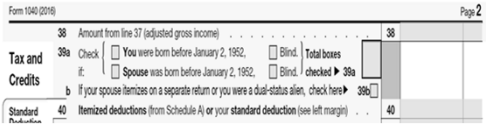
2 Enter amount from Form 1040, line 38 2

3 Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead 3

4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4

Once the Medical Expenses Are Determined

- But, if either the client or the spouse was born before January 2, 1952, multiply line 2 by 7.5%
- The 7.5% rate applies whether the client files a joint or separate return as long as one spouse was born before January 2, 1952
- If the client is claiming the 7.5% threshold amount for medical and dental expenses, make sure the appropriate boxes are checked on line 39a of Form 1040


Form 1040 (2016) Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)		38
	39a	Check if: ☐ You were born before January 2, 1952, ☐ Blind. ☐ Spouse was born before January 2, 1952, ☐ Blind.	Total boxes checked ▶ 39a	
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶	39b ☐	
Standard Deduction	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40

Once the Medical Expenses Are Determined

- If the client cannot check a box on line 39a of Form 1040, but either of the spouses were born before January 2, 1952
- Attach a statement to the return indicating that the client is taking the 7.5% threshold because the client or spouse meets the requirements

Death Before Age 65

- A taxpayer is considered to be age 65 on the day before the taxpayer's 65th birthday
- If the taxpayer wasn't age 65 or older at the time of death, the 7.5% threshold doesn't apply for that taxpayer or the spouse of that taxpayer who is under age 65
- For example, a taxpayer who was born on February 14, 1951, dies on February 13, 2016
- The taxpayer is considered age 65 at the time of death and the 7.5% threshold applies
- However, if the taxpayer died on February 12, 2016, the taxpayer isn't considered age 65 and the 7.5% threshold doesn't apply

Taxes You Paid

Taxes You Paid		
5	State and local (**check only one box**):	
	a ☐ Income taxes, or	5
	b ☐ General sales taxes	
6	Real estate taxes (see instructions)	6
7	Personal property taxes	7
8	Other taxes. List type and amount ▶	8
9	Add lines 5 through 8	9

Taxes You Can't Deduct

- Federal income and most excise taxes
- Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes
- Customs duties
- Federal state and gift taxes
- Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to property, tax paid for someone else, and license fees (marriage, driver's, dog, etc.)

State and Local Sales Tax

- A client can elect to deduct state and local general sales taxes instead of state and local income taxes
- A taxpayer cannot deduct both

State and Local Income Taxes

- If the client elects to deduct state and local income taxes, check box on Line 5 of Form 1040, Schedule A
- Include on this line the following state and local income taxes
  - State and local income taxes withheld from salary during 2016 from Form W-2: Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld
  - State and local income taxes paid (estimates or amounts owed and paid in 2016 – but, do not include interest or penalties

State and Local Income Taxes

- Don't reduce the deduction by any:
  - State or local income tax refund or credit the client expects to receive for 2016, or
  - Refund of, or credit for, prior year state and local income taxes actually received in 2016
  - Instead, see the instructions for Form 1040, line 10

State and Local Income Taxes

- If the client elects to deduct state and local general sales taxes, check box b on line 5

Taxes You Paid			
	5	State and local (**check only one box**):	
	a	☐ Income taxes, or	5
	b	☐ General sales taxes	
	6	Real estate taxes (see instructions)	6
	7	Personal property taxes	7
	8	Other taxes. List type and amount ▶	8
	9	Add lines 5 through 8	9

Figuring the Deduction

- To figure the deduction, the client can use either actual expenses or the optional sales tax tables

Actual Expenses

- Generally, the client can deduct the actual state and local general sales taxes (including compensating use taxes) paid in 2016 if the tax rate was the same as the general sales tax rate
- However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate
- If the client paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, they can deduct only the amount of tax that they would have paid at the general sales tax rate on that vehicle
- Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles
- Also include any state and local general sales taxes paid for a leased motor vehicle
- Don't include sales taxes paid on items used in a trade or business

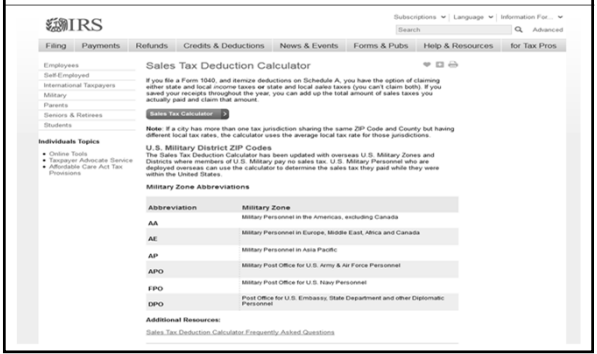
State and Local Income Taxes

- The client must keep the actual receipts showing general sales taxes paid to use this method
- <u>Refund of general sales taxes</u>
- If the client receives a refund of state or local general sales taxes in 2016 for amounts paid in 2016, reduce the actual 2016 state and local general sales taxes by this amount
- If the client receives a refund of state or local general sales taxes in 2016 for prior year purchases, don't reduce the 2016 state and local general sales taxes by this amount.
- But if the client deducted the actual state and local general sales taxes in the earlier year and the deduction reduced the tax, they may have to include the refund in income on Form 1040, line 21

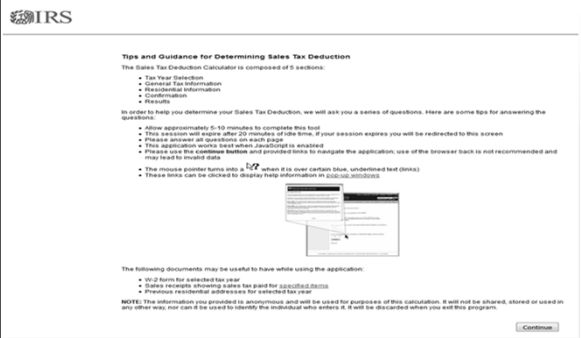
State and Local Income Taxes
Optional Sales Tax Tables

- Instead of using the actual expenses, the client can use the 2016 Optional State Sales Tax Table and the 2016 Optional Local Sales Tax Tables to figure the state and local general sales tax deduction
- In addition, the client may also be able to add the state and local general sales taxes paid on certain specified items
- To figure the state and local general sales tax deduction using the tables, there are two options
  - The State and Local General Sales Tax Deduction Worksheet
  - The Sales Tax Deduction Calculator on the IRS website
- www.irs.gov/Individuals/Sales-Tax-Deduction-Calculator

State and Local Income Taxes



State and Local Income Taxes



State and Local Income Taxes

IRS

Sales Tax Deduction Calculator

Tax Year Selection

Select a tax year. 2015

Continue

Start Over

State and Local Income Taxes

2015 Sales Tax Deduction Calculator

General Tax Information

Select your income range for tax year 2015 — Select Income Range

Select the number of exemptions you will claim on your 2015 return. — Select Number of Exemptions

If you have paid sales tax in 2015 on specified items enter the amount. — $

Continue

Start Over

State and Local Income Taxes

IRS

2015 Sales Tax Deduction Calculator

Residential Information

Enter the residential ZIP Code where you lived on January 1, 2015. 50320

Continue

Start Over

State and Local Income Taxes

2015 Sales Tax Deduction Calculator

Residential Information

Please select the city, county (or parish, borough, etc.) and state within 50320 where you resided in 2015.

- (●) DES MOINES, POLK, IA
- ( ) DES MOINES, WARREN, IA
- ( ) My city, county (or parish, borough, etc.) and state is not in 50320. Allow me to re-enter my ZIP Code.

Continue

Start Over

State and Local Income Taxes

2015 Sales Tax Deduction Calculator

Residential Information

Did you move to a new residence in 2015 (after January 1st)? ( ) Yes (●) No

Continue

Start Over

State and Local Income Taxes

2015 Sales Tax Deduction Calculator

Confirmation

Please confirm the information you have entered is correct.

Tax Year	2015	
Income Range	At least $50,000 but less than $60,000	edit
Exemptions	1	edit
Sales tax paid on Specified Items		edit
ZIP Code on January 1, 2015	50320	edit
City, County, State	DES MOINES, POLK, IA	

Move Summary

add a move

Continue

Start Over

State and Local Income Taxes

2015 Sales Tax Deduction Calculator

Results

Generated on: Tuesday, October 11, 2016 8:50:29 AM EST
Please print this page for your records.

Income Range: At least $50,000 but less than $60,000
Exemptions: 1

Move Date	ZIP Code	City, County, State	State Tax	Local Tax	Percentage of Year at Residence	State Tax Amount	Local Tax Amount	Total Tax
N/A	50320	DES MOINES, POLK, IA	6.0000%	0.0000%	100.00%	$626.00	$0.00	$626.00

Additional general sales tax paid on specified items: $0.00

Total General Sales Tax Deduction (rounded to the nearest dollar): **$626**

Notes:

- Enter the general sales tax deduction on Schedule A, line 5. Be sure to check box b on that line.

Start Over

State and Local Income Taxes

- https://www.irs.gov/individuals/sales-tax-deduction-calculator

State and Local Income Taxes Special Issues

- If you lived in the same state for all of 2016
- What if you lived in more than one state?
- What if you lived in more than one locality?

State and Local Income Taxes

State and Local General Sales Tax Deduction Worksheet—Line 5b

Keep for Your Records

TIP *Instead of using this worksheet, you can find your deduction by using the Sales Tax Deduction Calculator at IRS.gov.*

Before you begin: See the instructions for line 1 of the worksheet if you:
- ✓ Lived in more than one state during 2015, or
- ✓ Had any **nontaxable** income in 2015.

1. Enter your **state** general sales taxes from the 2015 Optional State Sales Tax Table . . . . . 1. $

   Next. If, for all of 2015, you lived only in Connecticut, the District of Columbia, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Jersey, or Rhode Island, skip lines 2 through 7, enter -0- on line 6, and go to line 7. Otherwise, go

2. Did you live in Alaska, Arizona, Arkansas, Colorado, Georgia, Illinois, Louisiana, Mississippi, Missouri, New York, North Carolina, South Carolina, Tennessee, Utah, or Virginia in 2015?
   - ☐ No. Enter -0- . . . . . 2. $
   - ☐ Yes. Enter your base **local** general sales taxes from the 2015 Optional Local Sales Tax Tables

3. Did your locality impose a **local** general sales tax in 2015? Residents of California and Nevada, see the instructions for line 3 of the worksheet.
   - ☐ No. Skip lines 3 through 5, enter -0- on line 6, and go to line 7.
   - ☐ Yes. Enter your **local** general sales tax rate, but omit the percentage sign. For example, if your local general sales tax rate was 2.5%, enter 2.5. If your local general sales tax rate changed or you lived in more than one locality in the same state during 2015, see the instructions for line 3 of the worksheet . . . . . 3. .

4. Did you enter -0- on line 2?
   - ☐ No. Skip lines 4 and 5 and go to line 6.
   - ☐ Yes. Enter your **state** general sales tax rate (shown in the table heading for your state), but omit the percentage sign. For example, if your state general sales tax rate is 6%, enter 6.0 . . . . . 4. .

5. Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places) . . . . . 5. .

6. Did you enter -0- on line 2?
   - ☐ No. Multiply line 2 by line 3
   - ☐ Yes. Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2015, see the instructions for line 6 of the worksheet . . . . . 6. $

7. Enter your state and local general sales taxes paid on specified items, if any. See the instructions for line 7 of the worksheet . . . . . 7. $

8. **Deduction for general sales taxes.** Add lines 1, 6, and 7. Enter the result here and the total from all your state and local general sales tax deduction worksheets, if you completed more than one, on Schedule A, line 5. Be sure to check **box b** on that line . . . . . 8. $

Real Estate Taxes

- Deductible real estate taxes are any state, local, or foreign taxes on real property levied for the general public welfare
- The client can deduct these taxes only if they are assessed uniformly against all property under the jurisdiction of the taxing authority
- The proceeds must be for general community or governmental purposes and not be a payment for a special privilege granted or service rendered

Real Estate Taxes

- Deductible real estate taxes generally do not include taxes charged for local benefits and improvements that increase the value of the property
- They also do not include itemized charges for services (such as trash collection) assessed against specific property or certain people, even if the charge is paid to the taxing authority

Tenant Shareholders in a Cooperative Housing Corporation

- Generally, if the client is a tenant-stockholder in a cooperative housing corporation, they can deduct the amount paid to the corporation that represents the share of the real estate taxes the corporation paid or incurred for the dwelling unit
- The corporation should provide a statement showing the share of the taxes

Other Issues

- Worksheet 22-1 Figuring Your Real Estate Tax Deduction
- Worksheet 22-1 Figuring Your Real Estate Tax Deduction — Taxes on Old Home
- Worksheet 22-1 Figuring Your Real Estate Tax Deduction — Taxes on New Home

Form 1099-S

- For certain sales or exchanges of real estate, the person responsible for closing the sale (generally the settlement agent) prepares Form 1099-S, Proceeds From Real Estate Transactions, to report certain information to the IRS and to the seller of the property
- Box 2 of Form 1099-S is for the gross proceeds from the sale and should include the portion of the seller's real estate tax liability that the buyer will pay after the date of sale
- The buyer includes these taxes in the cost basis of the property, and the seller both deducts this amount as a tax paid and includes it in the sales price of the property

Form 1099-S

- For a real estate transaction that involves a home, any real estate tax the seller paid in advance but that is the liability of the buyer appears on Form 1099-S, box 5
- The buyer deducts this amount as a real estate tax, and the seller reduces his or her real estate tax deduction (or includes it in income) by the same amount

Chart

Table 22-1. **Which Taxes Can You Deduct?**

Type of Tax	You Can Deduct	You Cannot Deduct
Fees and Charges	Fees and charges that are expenses of your trade or business or of producing income.	Fees and charges that are not expenses of your trade or business or of producing income, such as fees for driver's licenses, car inspections, parking, or charges for water bills (see *Taxes and Fees You Cannot Deduct*). Fines and penalties.
Income Taxes	State and local income taxes. Foreign income taxes. Employee contributions to state funds listed under *Contributions to state benefit funds*.	Federal income taxes. Employee contributions to private or voluntary disability plans.
Other Taxes	Taxes that are expenses of your trade or business. Taxes on property producing rent or royalty income. Occupational taxes. See chapter 28. One-half of self-employment tax paid.	Federal excise taxes, such as tax on gasoline, that are not expenses of your trade or business or of producing income. Per capita taxes.
Personal Property Taxes	State and local personal property taxes.	Customs duties that are not expenses of your trade or business or of producing income.
Real Estate Taxes	State and local real estate taxes. Foreign real estate taxes. Tenant's share of real estate taxes paid by cooperative housing corporation.	Real estate taxes that are treated as imposed on someone else (see *Division of real estate taxes between buyers and sellers*). Taxes for local benefits (with exceptions). See *Real Estate-Related Items You Cannot Deduct*. Trash and garbage pickup fees (with exceptions). See *Real Estate-Related Items You Cannot Deduct*. Rent increase due to higher real estate taxes. Homeowners' association charges.

Taxes Placed in Escrow

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- If the monthly mortgage payment includes an amount placed in escrow (put in the care of a third party) for real estate taxes, the client cannot deduct the total amount placed in escrow
- They can deduct only the real estate tax that the third party actually paid to the taxing authority
- If the third party does not notify the client of the amount of real estate tax that was paid contact the third party or the taxing authority to find the proper amount to show on the return

Tenants by the Entirety

- If the taxpayer's held property as tenants by the entirety and they file separate federal returns, each of them can deduct only the taxes each of them paid on the property

Divorced Individual

- If the divorce or separation agreement states that the client must pay the real estate taxes for a home owned by the client and the spouse, part of the payments may be deductible as alimony and part as real estate taxes

Ministers' and Military Housing Allowances

- If the client is a minister or a member of the uniformed services and receives a housing allowance that can be excluded from income, they still can deduct all of the real estate taxes paid on the home

Refund (or Rebate)

- If the receives a refund or rebate in 2016 of real estate taxes paid in 2016, they must reduce the deduction by the amount refunded
- If they received a refund or rebate in 2016 of real estate taxes deducted in an earlier year, include the refund or rebate in income in the year received
- However, the amount included in income is limited to the amount of the deduction that reduced the tax in the earlier year

Real EstateRelated Items You Cannot Deduct

- Taxes for local benefits
- Itemized charges for services (such as trash and garbage pickup fees)
- Transfer taxes (or stamp taxes)
- Rent increases due to higher real estate taxes
- Homeowners' association charges

Line 7 Personal Property Taxes

- Personal property tax is deductible if it is a state or local tax that is:
  - Charged on personal property
  - Based only on the value of the personal property
  - Charged on a yearly basis, even if it is collected more or less than once a year

Line 7
Personal Property Taxes

- A tax that meets the above requirements can be considered charged on personal property even if it is for the exercise of a privilege

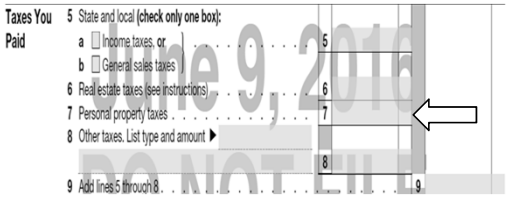
Line 7
Personal Property Taxes

- A yearly tax based on value qualifies as a personal property tax even if it is called a registration fee and is for the privilege of registering motor vehicles or using them on the highways
- If the tax is partly based on value and partly based on other criteria, it may qualify in part

Line 7
Personal Property Taxes

- The client's state charges a yearly motor vehicle registration tax of 1% of value plus 50 cents per hundredweight
- The client $32 based on the value ($1,500) and weight (3,400 lbs.) of the car
- The client can deduct $15 (1% × $1,500) as a personal property tax because it is based on the value
- The remaining $17 ($.50 × 34), based on the weight, is not deductible

Form 1040, Schedule A



Taxes You Paid	5 State and local (check only one box):		
	a ☐ Income taxes, or	5	
	b ☐ General sales taxes		
	6 Real estate taxes (see instructions)	6	
	7 Personal property taxes	7	
	8 Other taxes. List type and amount ▶	8	
	9 Add lines 5 through 8		9

Interest You Paid

- Whether the interest expense is treated as investment interest, personal interest, or business interest depends on how and when the loan proceeds were used

Lines 10 and 11 Home Mortgage Interest

- A home mortgage is any loan that is secured by the main home or second home
- It includes first and second mortgages, home equity loans, and refinanced mortgages
- A home can be a house, condominium, cooperative, mobile home, boat, or similar property
- It must provide basic living accommodations including sleeping space, toilet, and cooking facilities

Form 1040, Schedule A

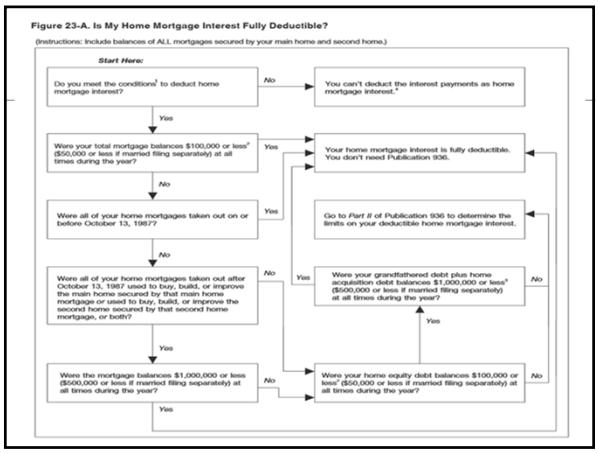
Interest You Paid	10 Home mortgage interest and points reported to you on Form 1098	10	
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11	
Note: Your mortgage interest deduction may be limited (see instructions).	12 Points not reported to you on Form 1098. See instructions for special rules	12	
	13 Mortgage insurance premiums (see instructions)	13	
	14 Investment interest. Attach Form 4952 if required. (See instructions.)	14	
	15 Add lines 10 through 14		15

Amount Deductible

- Fully deductible interest
  - If all of the mortgages fit into one or more of the following three categories at all times during the year, the client can deduct all of the interest on those mortgages
  - (If any one mortgage fits into more than one category, add the debt that fits in each category to the other debt in the same category)

Categories

- Mortgages took out on or before October 13, 1987 (called grandfathered debt)
- Mortgages took out after October 13, 1987, to buy, build, or improve a home (called home acquisition debt), but only if throughout 2016 these mortgages plus any grandfathered debt totaled $1 million or less ($500,000 or less if married filing separately)
- Mortgages took out after October 13, 1987, other than to buy, build, or improve a home (called home equity debt), but only if throughout 2016 these mortgages totaled $100,000 or less ($50,000 or less if married filing separately) and totaled no more than the fair market value of the home reduced by (1) and (2) above



Special Situations

- Certain items that can be included as home mortgage interest and others that can't

Late Payment Charge on Mortgage Payment

- The client can deduct as home mortgage interest a late payment charge if it wasn't for a specific service performed in connection with the mortgage loan

Mortgage Prepayment Penalty

- If you pay off the home mortgage early, they client may have to pay a penalty
- They can deduct that penalty as home mortgage interest provided the penalty isn't for a specific service performed or cost incurred in connection with the mortgage loan

Sale of Home

- If the client sells a home, they can deduct the home mortgage interest (subject to any limits that apply) paid up to, but not including, the date of sale

Prepaid Interest

- If the client pays interest in advance for a period that goes beyond the end of the tax year, they must spread this interest over the tax years to which it applies
- They can deduct in each year only the interest that qualifies as home mortgage interest for that year

Mortgage Interest Credit.

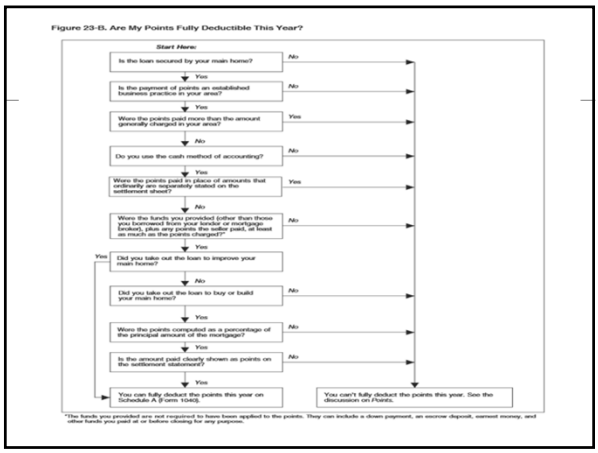
- The client may be able to claim a mortgage interest credit if they were issued a mortgage credit certificate (MCC) by a state or local government
- Figure the credit on Form 8396, Mortgage Interest Credit
- When they take this credit, the mortgage interest deduction must be reduced by the amount of the credit

Ministers' and Military Housing Allowance

- If the client is a minister or a member of the uniformed services and receive a housing allowance that isn't taxable, they can still deduct the home mortgage interest

Other Issues to Explore

- Redeemable ground rents
- Nonredeemable ground rents
- Reverse mortgages
- Rental payments
- Refunds of interest
- Points



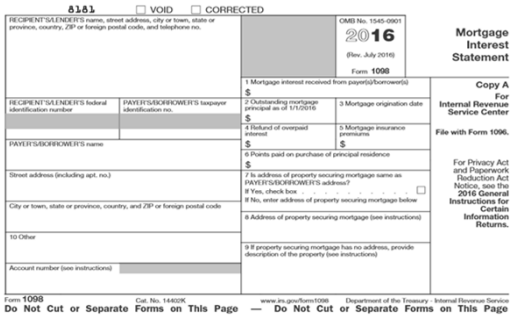
Form 1098, Mortgage Interest Statement

- If the client paid $600 or more of mortgage interest (including certain points) during the year on any one mortgage, they generally will receive a Form 1098 or a similar statement from the mortgage holder
- The statement for each year should be sent by January 31 of the following year
- A copy of this form will also be sent to the IRS

Form 1098, Mortgage Interest Statement

- The statement will show the total interest you paid during the year and if the client purchased a main home during the year, it also will show the deductible points paid during the year, including seller-paid points
- As a general rule, Form 1098 will include only points that the client can fully deduct in the year paid
- However, certain points not included on Form 1098 also may be deductible, either in the year paid or over the life of the loan

Form 1098


8181 ☐ VOID ☐ CORRECTED

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0901
2016
(Rev. July 2016)
Form 1098

Mortgage Interest Statement

RECIPIENT'S/LENDER'S federal identification number | PAYER'S/BORROWER'S taxpayer identification no.

PAYER'S/BORROWER'S name

Street address (including apt. no.)

City or town, state or province, country, and ZIP or foreign postal code

10 Other

Account number (see instructions)

1 Mortgage interest received from payer(s)/borrower(s) $

2 Outstanding mortgage principal as of 1/1/2016 $

3 Mortgage origination date

4 Refund of overpaid interest $

5 Mortgage insurance premiums $

6 Points paid on purchase of principal residence $

7 Is address of property securing mortgage same as PAYER'S/BORROWER'S address? If Yes, check box ☐ If No, enter address of property securing mortgage below

8 Address of property securing mortgage (see instructions)

9 If property securing mortgage has no address, provide description of the property (see instructions)

Copy A For Internal Revenue Service Center

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.

Form 1098 Cat. No. 14402K www.irs.gov/form1098 Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Investment Interest

- If the client borrows money to buy property that they hold for investment, the interest paid is investment interest
- They can deduct investment interest subject to limits
- However, the client cannot deduct interest they incurred to produce tax-exempt income
- Nor can they deduct interest expenses on straddles
- Investment interest doesn't include any qualified home mortgage interest or any interest taken into account in computing income or loss from a passive activity

Chart

Table 23-1. **Where To Deduct Your Interest Expense**

IF you have ...	THEN deduct it on ...	AND for more information go to ...
deductible student loan interest	Form 1040, line 33, or Form 1040A, line 18	Pub. 970.
deductible home mortgage interest and points reported on Form 1098	Schedule A (Form 1040), line 10	Pub. 936.
deductible home mortgage interest not reported on Form 1098	Schedule A (Form 1040), line 11	Pub. 936.
deductible points not reported on Form 1098	Schedule A (Form 1040), line 12	Pub. 936.
deductible investment interest (other than incurred to produce rents or royalties)	Schedule A (Form 1040), line 14	Pub. 550.
deductible business interest (non-farm)	Schedule C or C-EZ (Form 1040)	Pub. 535.
deductible farm business interest	Schedule F (Form 1040)	Pub.s 225 and 535.
deductible interest incurred to produce rents or royalties	Schedule E (Form 1040)	Pub.s 527 and 535.
personal interest	not deductible.	

Mortgage Insurance Premiums

- Mortgage insurance premiums are sometimes tax deductible—at least through the end of the 2016 tax year
- The mortgage insurance premium deduction applies only to loans taken out on or after January 1, 2007
- The insurance policy must be for home acquisition debt on a first or second home
- A home acquisition debt is one whose proceeds are used to buy, build or substantially improve a residence
- Typically, if the client is unable to make a down payment of at least 20 percent, the lender will require private mortgage insurance to secure the debt if they default
- 2016 may be the last year for this deduction unless Congress extends the provision

Mortgage Insurance Premium Worksheet

Mortgage Insurance Premiums Deduction Worksheet—Line 13 *Keep for Your Records*

Before you begin: ✓ See the instructions for line 13 to see if you must use this worksheet to figure your deduction.

1. Enter the total premiums you paid in 2015 for qualified mortgage insurance for a contract issued after December 31, 2006 . . . . . 1. _____
2. Enter the amount from Form 1040, line 38 . . . . . 2. _____
3. Enter $100,000 ($50,000 if married filing separately) . . . . . 3. _____
4. Is the amount on line 2 more than the amount on line 3?
   - ☐ **No.** Your deduction isn't limited. Enter the amount from line 1 of this worksheet on Schedule A, line 13. **Don't** complete the rest of this worksheet.
   - ☐ **Yes.** Subtract line 3 from line 2. If the result isn't a multiple of $1,000 ($500 if married filing separately), increase it to the next multiple of $1,000 ($500 if married filing separately). For example, increase $425 to $1,000, increase $2,025 to $3,000; or if married filing separately, increase $425 to $500, increase $2,025 to $2,500, etc. . . . . 4. _____
5. Divide line 4 by $10,000 ($5,000 if married filing separately). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0 . . . . . 5. _____
6. Multiply line 1 by line 5 . . . . . 6. _____
7. **Mortgage insurance premiums deduction.** Subtract line 6 from line 1. Enter the result here and on Schedule A, line 13 . . . . . 7. _____

Gifts to Charity

IOWA STATE UNIVERSITY
CALT
Center for Agricultural Law and Taxation

Form 1040, Schedule A

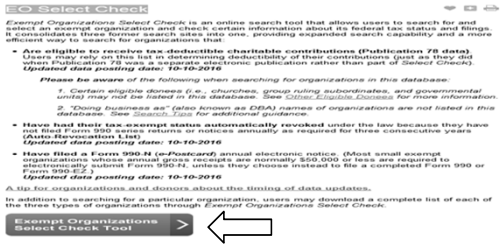
Gifts to Charity	**16** Gifts by cash or check. If you made any gift of $250 or more, see instructions	**16**	
If you made a gift and got a benefit for it, see instructions.	**17** Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500	**17**	
	18 Carryover from prior year	**18**	
	19 Add lines 16 through 18		**19**

Contributions

- Organizations that qualify to receive deductible contributions
- Contributions from which the client benefits

EO Select Check

- https://www.irs.gov/charities-non-profits/exempt-organizations-select-check



EO Select Check

Exempt Organizations Select Check is an online search tool that allows users to search for and select an exempt organization and check certain information about its federal tax status and filings. It consolidates three former search sites into one, providing expanded search capability and a more efficient way to search for organizations that:

- **Are eligible to receive tax-deductible charitable contributions (Publication 78 data).** Users may rely on this list in determining deductibility of their contributions (just as they did when Publication 78 was a separate electronic publication rather than part of *Select Check*).
  Updated data posting date: 10-10-2016

  Please be aware *of the following when searching for organizations in this database:*

  1. Certain eligible donees (i.e., churches, group ruling subordinates, and governmental units) may not be listed in this database. See *Other Eligible Donees* for more information.

  2. "Doing business as" (also known as DBA) names of organizations are not listed in this database. See *Search Tips* for additional guidance.

- **Have had their tax-exempt status automatically revoked** under the law because they have not filed Form 990 series returns or notices annually as required for three consecutive years (**Auto-Revocation List**)
  Updated data posting date: 10-10-2016
- **Have filed a Form 990-N (*e-Postcard*)** annual electronic notice. (Most small exempt organizations whose annual gross receipts are normally $50,000 or less are required to electronically submit Form 990-N, unless they choose instead to file a completed Form 990 or Form 990-EZ.)
  Updated data posting date: 10-10-2016

A tip for organizations and donors about the timing of data updates.

In addition to searching for a particular organization, users may download a complete list of each of the three types of organizations through *Exempt Organizations Select Check*.

Exempt Organizations Select Check Tool >

Search Begins Here

IRS

Skip to Search Content

Exempt Organizations Select Check Exempt Organizations Select Check Home

Click on one of the buttons below to search for:

1. Organizations eligible to receive tax-deductible charitable contributions (Pub. 78 data);
2. Organizations whose federal tax exemption was automatically revoked for not filing a Form 990-series return or notice for three consecutive years, or
3. Form 990-N (e-Postcard) filers and filings.

Limit search to organizations that (select only one):

Are eligible to receive tax-deductible charitable contributions | Were automatically revoked | Have filed Form 990-N (e-Postcard)

Note: To search for other information on the IRS website, please use the site search located on the top right of your screen.

EIN
Name
City
State All...
Country United States
Deductibility Status All...

Download the entire database of organizations eligible to receive tax-deductible charitable contributions (Pub. 78 data)

Search Clear

Records

- The client must keep records to prove the amount of the contributions they make during the year
- The kind of records depends on the amount of the contributions and whether they are:
  - Cash contributions
  - Noncash contributions, or
  - Out-of-pocket expenses when donating services
- Note. An organization generally must give you a written statement if it receives a payment from you that is more than $75 and is partly a contribution and partly for goods or services

Cash Contributions

- Cash contributions include those paid by cash, check, electronic funds transfer, debit card, credit card, or payroll deduction
- The client cannot deduct a cash contribution, regardless of the amount, unless they keep one of the following.
  - A bank record that shows the name of the qualified organization, the date of the contribution, and the amount of the contribution
- Bank records may include:
  - a. A canceled check
  - b. A bank or credit union statement, or
  - c. A credit card statement
  - A receipt (or a letter or other written communication) from the qualified organization showing the name of the organization, the date of the contribution, and the amount of the contribution
  - The payroll deduction records

Payroll Deductions

- If the client makes a contribution by payroll deduction, they must keep:
  - 1. A pay stub, Form W2, or other document furnished by your employer that shows the date and amount of the contribution, and
  - 2. A pledge card or other document prepared by or for the qualified organization that shows the name of the organization
- If the employer withheld $250 or more from a single paycheck, certain rules apply

Contributions of $250 or More

- The client can claim a deduction for a contribution of $250 or more only if they have an acknowledgment of the contribution from the qualified or organization or certain payroll deduction records
- If they made more than one contribution of $250 or more, they must have either a separate acknowledgment for each or one acknowledgment that lists each contribution and the date of each contribution and shows the total contributions

Amount of the Contribution

- In figuring whether the contribution is $250 or more, don't combine separate contributions
- For example, if the gave their church $25 each week, the weekly payments don't have to be combined
- Each payment is a separate contribution
- If contributions are made by payroll deduction, the deduction from each paycheck is treated as a separate contribution
- Contributions from which the client benefits is the amount of the payment that is more than the value of the goods and services

Acknowledgment

- The acknowledgment must meet these tests
  - 1. It must be written
  - 2.It must include:
    - a. The amount of cash contributed
    - b. Whether the qualified organization gave them any goods or services as a result of the contribution (other than certain token items and membership benefits)
    - c. A description and good faith estimate of the value of any goods or services described in (b) (other than intangible religious benefits), and
    - d. A statement that the only benefit received was an intangible religious benefit, if that was the case
    - The acknowledgment doesn't need to describe or estimate the value of an intangible religious benefit. An intangible religious benefit is a benefit that generally isn't sold in commercial transactions outside a donative (gift) context
    - An example is admission to a religious ceremony

Timing is Everything

- The client must get it on or before the earlier of:
  - a. The date you file the return for the year they make the contribution or
  - b. The due date, including extensions, for filing the return
- If the acknowledgment doesn't show the date of the contribution, they must also have a bank record or receipt that does show the date of the contribution
- If the acknowledgment shows the date of the contribution and meets the other tests they don't need any other records

Contribution by Phone

- If the client made contribution by phone, keep the phone bill showing the name of who they made the donation to, the date they made the contribution, and the amount of the contribution

Table 24-1. **Examples of Charitable Contributions—A Quick Check**

Use the following lists for a quick check of whether you can deduct a contribution. See the rest of this chapter for more information and additional rules and limits that may apply.

Deductible As Charitable Contributions	Not Deductible As Charitable Contributions
Money or property you give to: • Churches, synagogues, temples, mosques, and other religious organizations • Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park) • Nonprofit schools and hospitals • The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts of America, Girl Scouts of America, Boys and Girls Clubs of America, etc. • War veterans' groups	Money or property you give to: • Civic leagues, social and sports clubs, labor unions, and chambers of commerce • Foreign organizations (except certain Canadian, Israeli, and Mexican charities) • Groups that are run for personal profit • Groups whose purpose is to lobby for law changes • Homeowners' associations • Individuals • Political groups or candidates for public office
Expenses paid for a student living with you, sponsored by a qualified organization	Cost of raffle, bingo, or lottery tickets
Out-of-pocket expenses when you serve a qualified organization as a volunteer	Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups
	Tuition
	Value of your time or services
	Value of blood given to a blood bank

Casualty and Theft Loss

- This issue is to broad to cover in today's webinar
- Form 4684 is used for individual and business casualty losses

Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)	20	

Job Expenses and Certain Miscellaneous Deductions

Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses–job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21	
	22 Tax preparation fees	22	
	23 Other expenses–investment, safe deposit box, etc. List type and amount ▶	23	
	24 Add lines 21 through 23	24	
	25 Enter amount from Form 1040, line 38 25		
	26 Multiply line 25 by 2% (0.02)	26	
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27

Job Expenses and Certain Miscellaneous Deductions

- The client can deduct only the part of these expenses that exceeds 2% of the AGI

Examples of Expenses that are Not Deductible

- Political contributions
- Legal expenses for personal matters that don't produce taxable income
- Lost or misplaced cash or property
- Expenses for meals during regular or extra work hours
- The cost of entertaining friends
- Commuting expenses
- Travel expenses for employment away from home if that period of employment exceeds 1 year

Examples of Expenses that are Not Deductible

- Travel as a form of education
- Expenses of attending a seminar, convention, or similar meeting unless it is related to the client's employment
- Club dues
- Expenses of adopting a child
- But the client may be able to take a credit for adoption expenses (Form 8839)
- Fines and penalties
- Expenses of producing tax-exempt income

Tax Preparation Fees

- The fees paid for preparation of a tax return, including fees paid for filing the return electronically (Line 22)
- If the client paid the tax by credit or debit card, include the convenience fee charged on line 23 instead of this line 22

Form 1040, Schedule A

Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶		21	
	22 Tax preparation fees		22	
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶		23	
	24 Add lines 21 through 23		24	
	25 Enter amount from Form 1040, line 38	25		
	26 Multiply line 25 by 2% (0.02)		26	
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-			27

Other Expenses

- Enter the total amount paid to produce or collect taxable income and manage or protect property held for earning income
- Do not include any personal expenses
- List the type and amount of each expense on the dotted lines next to line 23
- If more space is needed, attach a statement to the return showing the type and amount of each expense

Other Expenses

- Examples of expenses that qualify for a deduction:
  - Certain legal and accounting fees
  - Clerical help and office rent
  - Custodial (for example, trust account) fees
  - The share of the investment expenses of a regulated investment company
  - Certain losses on non-federally insured deposits in an insolvent or bankrupt financial institution
  - Deduction for repayment of amounts under a claim of right if $3,000 or less
  - Convenience fee charged by the card processor for paying income tax (including estimated tax payments) by credit or debit card
  - The deduction is claimed for the year in which the fee was charged to the card

Other Miscellaneous Deductions

- Only the expenses listed next can be deducted on line 28
- List the type and amount of each expense on the dotted lines next to line 28
- Gambling losses (gambling losses include, but are not limited to, the cost of non-winning bingo, lottery, and raffle tickets), but only to the extent of gambling winnings reported on Form 1040, line 21
- Casualty and theft losses of income-producing property from Form 4684, lines 32 and 38b, or Form 4797, line 18a
- Loss from other activities from Schedule K-1 (Form 1065-B), box 2
- Federal estate tax on income in respect of a decedent

Form 1040, Schedule A

Other Miscellaneous Deductions	28	Other—from list in instructions. List type and amount ▶	28
Total Itemized Deductions	29	Is Form 1040, line 38, over $155,650? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. ☐ **Yes.** Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.	29
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ ☐	

Other Miscellaneous Deductions

- A deduction for amortizable bond premium (for example, a deduction allowed for a bond premium carryforward or a deduction for amortizable bond premium on bonds acquired before October 23, 1986)
- An ordinary loss attributable to a contingent payment debt instrument or an inflation-indexed debt instrument (for example, a Treasury Inflation-Protected Security)
- Deduction for repayment of amounts under a claim of right if over $3,000
- Certain unrecovered investment in a pension
- Impairment-related work expenses of a disabled person

Total Itemized Deductions

- Itemized Deductions can be limited (phased-out) if income exceeds a certain amount based on filing status
  - $311,300 if married filing jointly or qualifying widow(er)
  - $285,350 if head of household
  - $259,400 if single
  - $155,650 if married filing separately
- Revenue Procedure 2015-53

Total Itemized Deductions

Itemized Deductions Worksheet—Line 29 *Keep for Your Records*

1. Enter the total of the amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28 . . . . . 1. _____
2. Enter the total of the amount from Schedule A, lines 4, 14, and 20, plus any gambling and casualty or theft losses included on line 28 . . . . . 2. _____

   ⚠ Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 28.

3. Is the amount on line 2 less than the amount on line 1?

   ☐ **No.** STOP Your deduction isn't limited. Enter the amount from line 1 of this worksheet on Schedule A, line 29. **Don't** complete the rest of this worksheet.

   ☐ **Yes.** Subtract line 2 from line 1 . . . . . 3. _____
4. Multiply line 3 by 80% (0.80) . . . . . 4. _____
5. Enter the amount from Form 1040, line 38 . . . . . 5. _____
6. Enter $309,900 if married filing jointly or qualifying widow(er); $284,050 if head of household; $258,250 if single; or $154,950 if married filing separately . . . . . 6. _____
7. Is the amount on line 6 less than the amount on line 5?

   ☐ **No.** STOP Your deduction isn't limited. Enter the amount from line 1 of this worksheet on Schedule A, line 29. **Don't** complete the rest of this worksheet.

   ☐ **Yes.** Subtract line 6 from line 5 . . . . . 7. _____
8. Multiply line 7 by 3% (0.03) . . . . . 8. _____
9. Enter the **smaller** of line 4 or line 8 . . . . . 9. _____
10. **Total itemized deductions.** Subtract line 9 from line 1. Enter the result here and on Schedule A, line 29 . . . . . 10. _____

Standard Deduction

- The standard deduction is a dollar amount that reduces the amount of income on which a taxpayer is taxed
- The standard deduction consists of the sum of the basic standard deduction and any additional standard deductions for age and/or blindness
- In general, the standard deduction is adjusted each year for inflation and varies according to the filing status, whether the client is 65 or older and/or blind, and whether another taxpayer can claim them as a dependent

Standard Deduction

- The standard deduction is not available to certain taxpayers
- The client cannot take the standard deduction if they itemize
- Also, if a MFS taxpayer itemizes, the other party must also itemize, they cannot take the standard deduction
- An individual who was a nonresident alien or dual status alien during any part of the year cannot take the standard deduction – some exceptions
- An individual who files a return for a period of less than 12 months due to a change in his or her annual accounting period
- An estate or trust, common trust fund, or partnership

Additional Standard Deduction

- The client is allowed an additional deduction if the are age 65 or older at the end of the tax year
- They will be considered to be 65 on the day before their 65th birthday
- They are allowed an additional deduction for blindness if they are blind on the last day of the tax year
- For example, a single taxpayer who is age 65 and blind would be entitled to a basic standard deduction and an additional standard deduction equal to the sum of the additional amounts for both age and blindness

2016 Form 1040, Page 2

Form 1040 (2016) Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38
	39a	Check if: ☐ You were born before January 2, 1952, ☐ Blind. ☐ Spouse was born before January 2, 1952, ☐ Blind. Total boxes checked ▶ 39a	
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐	

Dependents

- If the client can be claimed as a dependent by another taxpayer, the standard deduction for 2016 is limited to the greater of:
- (1) $1,050, or
- (2) Earned income plus $350 (but the total cannot be more than the basic standard deduction allowed for that filing status

2016 Standard Deductions

Filing Status	Standard Deduction
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(a))	$12,600
Heads of Households (§ 1(b))	$9,300
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(c))	$6,300
Married Individuals Filing Separate Returns (§ 1(d))	$6,300

Aged or Blind

- For taxable years beginning in 2016, the additional standard deduction amount under § 63(f) for the aged or the blind is $1,250
- The additional standard deduction amount is increased to $1,550 if the individual is also unmarried and not a surviving spouse

Form 1040 Schedule A

SCHEDULE A (Form 1040)
Department of the Treasury Internal Revenue Service (99)

Itemized Deductions
▶ Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea*.
▶ Attach to Form 1040.

OMB No. 1545-0074
2016
Attachment Sequence No. **07**

Name(s) shown on Form 1040 | Your social security number

Medical and Dental Expenses

Caution: Do not include expenses reimbursed or paid by others.

1 Medical and dental expenses (see instructions) 1
2 Enter amount from Form 1040, line 38 | 2
3 Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead 3
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4

Taxes You Paid

5 State and local **(check only one box):**
a ☐ Income taxes, **or** 5
b ☐ General sales taxes
6 Real estate taxes (see instructions) 6
7 Personal property taxes 7
8 Other taxes. List type and amount ▶
8
9 Add lines 5 through 8 9

Form 1040 Schedule A

Interest You Paid

Note: Your mortgage interest deduction may be limited (see instructions).

10 Home mortgage interest and points reported to you on Form 1098 10
11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶
11
12 Points not reported to you on Form 1098. See instructions for special rules 12
13 Mortgage insurance premiums (see instructions) 13
14 Investment interest. Attach Form 4952 if required. (See instructions.) 14
15 Add lines 10 through 14 15

Gifts to Charity

If you made a gift and got a benefit for it, see instructions.

16 Gifts by cash or check. If you made any gift of $250 or more, see instructions 16
17 Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 . . . 17
18 Carryover from prior year 18
19 Add lines 16 through 18 19

Casualty and Theft Losses

20 Casualty or theft loss(es). Attach Form 4684. (See instructions.) 20

Form 1040 Schedule A

Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21	
	22 Tax preparation fees	22	
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23	
	24 Add lines 21 through 23	24	
	25 Enter amount from Form 1040, line 38 25		
	26 Multiply line 25 by 2% (.02)	26	
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27
Other Miscellaneous Deductions	28 Other—from list in instructions. List type and amount ▶		28
Total Itemized Deductions	29 Is Form 1040, line 38, over $154,950? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. ☐ **Yes.** Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.		29
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ ☐		

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 17145C **Schedule A (Form 1040) 2015**

Form 8283

Form **8283** (Rev. December 2014) Department of the Treasury Internal Revenue Service

Noncash Charitable Contributions

▶ **Attach to your tax return if you claimed a total deduction of over $500 for all contributed property.**

▶ **Information about Form 8283 and its separate instructions is at *www.irs.gov/form8283*.**

OMB No. 1545-0908

Attachment Sequence No. **155**

Name(s) shown on your income tax return | **Identifying number**

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of $5,000 or Less and Publicly Traded Securities—List in this section **only** items (or groups of similar items) for which you claimed a deduction of $5,000 or less. Also list publicly traded securities even if the deduction is more than $5,000 (see instructions).

Part I **Information on Donated Property**—If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached)	(c) Description of donated property (For a vehicle, enter the year, make, model, and mileage. For securities, enter the company name and the number of shares.)
A			
B			
C			
D			
E			

Note. If the amount you claimed as a deduction for an item is $500 or less, you do not have to complete columns (e), (f), and (g).

Form 8283

	(d) Date of the contribution	(e) Date acquired by donor (mo., yr.)	(f) How acquired by donor	(g) Donor's cost or adjusted basis	(h) Fair market value (see instructions)	(i) Method used to determine the fair market value
A						
B						
C						
D						
E						

Form 8283

Part II **Partial Interests and Restricted Use Property**—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ _____ If Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Part I: **(1)** For this tax year ▶ _____ **(2)** For any prior tax years ▶ _____

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):
Name of charitable organization (donee)
Address (number, street, and room or suite no.)
City or town, state, and ZIP code

d For tangible property, enter the place where the property is located or kept ▶ _____

e Name of any person, other than the donee organization, having actual possession of the property ▶ _____

		Yes	No
3a	Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?		
b	Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?		
c	Is there a restriction limiting the donated property for a particular use?		

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 62299J Form **8283** (Rev. 12-2014)

Form 8283

Form 8283 (Rev. 12-2014) Page **2**

Name(s) shown on your income tax return | Identifying number

Section B. Donated Property Over $5,000 (Except Publicly Traded Securities)—Complete this section for one item (or one group of similar items) for which you claimed a deduction of more than $5,000 per item or group (except contributions of publicly traded securities reported in Section A). Provide a separate form for each property donated unless it is part of a group of similar items. An appraisal is generally required for property listed in Section B. See instructions.

Part I **Information on Donated Property**—To be completed by the taxpayer and/or the appraiser.

4 Check the box that describes the type of property donated:

a ☐ Art* (contribution of $20,000 or more) d ☐ Art* (contribution of less than $20,000) g ☐ Collectibles** j ☐ Other
b ☐ Qualified Conservation Contribution e ☐ Other Real Estate h ☐ Intellectual Property
c ☐ Equipment f ☐ Securities i ☐ Vehicles

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

**Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions.

5	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions (h) Amount claimed as a deduction	(i) Date of contribution
A						
B						
C						
D						

Form 8283

Part II **Taxpayer (Donor) Statement**—List each item included in Part I above that the appraisal identifies as having a value of $500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than $500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ▶ _____

Signature of taxpayer (donor) ▶ Date ▶

Part III **Declaration of Appraiser**

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value described in the qualified appraisal or this appraiser declaration may subject me to a civil action penalty. In addition, I understand that if I prepare or issue an appraisal that I know, or reasonably should know, that my appraisal is to be used in connection with a return or claim for refund and a substantial or gross valuation misstatement results from my appraisal, I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign Here Signature ▶ Title ▶ Date ▶

Business address (including room or suite no.) | Identifying number

City or town, state, and ZIP code

Part IV **Donee Acknowledgment**—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ▶ _____

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file **Form 8282,** Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ▶ ☐ Yes ☐ No

Name of charitable organization (donee) | Employer identification number

Address (number, street, and room or suite no.) | City or town, state, and ZIP code

Authorized signature | Title | Date

Form **8283** (Rev. 12-2014)

CALT Website

http://www.calt.iastate.edu/

Tour of the CALT Website

Fall Tax Schools

- Though they are named the Farm and Urban Tax Schools the schools cover more than farm issues
- Common return issues for all kinds of returns are covered
- All kinds of business entities
- Problematic issues
- Sometimes we even get into to issues that you many encounter only once or twice a year or tax season
- The Tax Schools are a blend of diverse topics of interest to all tax professionals
- This year: New instructors with diverse backgrounds
- Your adventure awaits at Iowa State's Center for Agricultural Law and Taxation

Farm and Urban Tax Schools 2016

- November 2, 2016 to December 13, 2016
- 8 Locations in Iowa and Online Webinar
- Save the Date for the 2016 Annual Farm and Urban Income Tax Schools
- The program is intended for tax professionals and is designed to provide up-to-date training on current tax law and regulations
  - November 2-3: Maquoketa
  - November 7-8: Red Oak
  - November 9-10: Sheldon
  - November 14-15: Mason City
  - November 17-18: Ottumwa
  - November 21-22: Waterloo
  - December 5-6: Denison
  - December 12-13: Ames and Live Webinar

Winter Webinars

- Miscellaneous Income
- Tax law Update: New Developments
- Monthly Ethics Classes

Beginning Tax Preparers Class

- CALT is working on offering a basic class for NEW tax preparers this fall in October
- The week long webinar will cover the basics an individual needs to know such as:
  - Child and Dependent Care Credit
  - Education Credits
- Other issues a first or second year preparer needs to know as well as a refresher for others who need to brush up on issues
- The class will be a week long or more and will be offered at a special rate

The Scoop

- Throughout the filing season two Scoops will be held on Scoop Dates
  - 8:00 – 8:30 am Central time
  - 12:00 – 12:30 Central time
- This assists with accommodating our west coast practitioners
- The same information will be shared at both sessions
- You have the option of registering for whatever session suits your schedule
- https://www.calt.iastate.edu/calendar-node-field-seminar-date/month

Future Scoop Dates

- October 19, 2016
- November 16, 2016
- December 14, 2016
- http://www.calt.iastate.edu/calendar-node-field-seminar-date/month

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