

## 2013 Personal Tax Deductions and Credits

The following list, while not all-inclusive, outlines many of the more common personal deductions and credits by type. For further information on any specific item, please see IRS Publication 17 or the instructions for Form 1040:

### ■ Above-the-Line Deductions

- Items deducted to arrive at Gross Income -
  - Trade or business expenses
    - Reported on Schedule C
  - Rent and royalty expenses, including depreciation and depletion
    - Reported on Schedule C if personal property rental
    - Reported on Schedule E if royalty or real property rental
  - Loss from sales and exchanges
    - Reported on Schedule D if nonbusiness
    - Reported on Form 4797 if business
  - Net operating loss deduction
- Items deducted to arrive at Adjusted Gross Income -
  - Contributions to traditional IRA's
  - Contributions to SIMPLE, SEP and qualified plans
  - Alimony payments
  - Student loan interest paid
  - Contributions to health savings account
  - Moving expenses
  - One-half of self-employment tax
  - Self-employed health insurance
  - Penalty on the early withdrawal of savings
  - Up to \$250 of educator's expenses
  - Tuition and fees deduction
  - Certain business expenses of reservists, performing artists and fee-basis government officials
  - Jury duty pay remitted to your employer
  - Supplemental unemployment compensation repayments
  - Legal fees and costs paid in certain actions involving civil rights violations or whistleblower awards
  - Domestic production activities deduction

### ■ Below-the-Line Deductions (Itemized Deductions)

- Medical expenses - subject to 10% of AGI (7.5% if over 65 years of age)
  - Prescription medicine
  - Medical, dental and long-term care insurance premiums
  - Doctor, dentist, chiropractic, acupuncturist, therapist and psychologist fees
  - X-ray, laboratory and diagnostic testing
  - Nursing assistance
  - Hospital care
  - Medicare Part B supplemental and Part D insurance
  - Eyeglasses, hearing aids, braces, crutches, wheelchairs and guide dogs
    - Including the maintenance thereof
  - Lodging and travel in connection with medical care

- Taxes
  - Option to claim sales taxes or state and local income taxes
  - Real estate taxes
  - Personal property taxes that are based on value alone on an annual basis
  - Foreign taxes paid (if foreign tax credit is not claimed)
- Mortgage interest
  - A home mortgage is any loan that is secured by your main home or second home
  - Includes first and second mortgages, home equity loans, and refinanced mortgages
  - Limits –
    - \$1.0 million of total principal to buy, build, or improve either or both homes
    - \$100,000 of total principal for purposes other than to buy, build, or improve either or both homes
- Mortgage insurance premiums
- Investment interest
- Charitable contributions
- Casualty and theft losses – related to personal use property only
- Miscellaneous deductions - subject to 2% of AGI
  - Unreimbursed job-related employee expenses
    - Equipment and supplies
    - Protective clothing
    - Home office
    - Vehicle
    - Union and professional dues
    - Professional and trade publication subscriptions
    - Continuing education and training
    - Portion of educator's expenses in excess of \$250 deducted for AGI
    - Job search
  - Other miscellaneous expenses
    - Income tax preparation fees
    - Audit fees
    - Investment and income-producing property expenses
      - IRA and other investment account maintenance fees
      - Legal, accounting and financial advice fees
      - Investment publication subscriptions
      - Margin interest
- Other Miscellaneous deductions - not subject to 2% of AGI
  - Gambling losses to the extent of gambling winnings
  - Estate taxes on income
  - Casualty and theft losses – related to business and income-producing property

#### ▪ **Refundable Credits**

- Additional Child Tax Credit
- American Opportunity Credit (up to 40% refundable)
- Credit for excess Social Security withholding
- Earned Income Credit
- Health Coverage Tax Credit

#### ▪ **Non-refundable Credits**

- Adoption Credit
- Alternative (Hybrid) Motor Vehicle Credit
- Alternative Fuel Vehicle Refueling Property Credit
- American Opportunity Credit
- Child and Dependent Care Credit
- Child Tax Credit
- Credit for the Elderly and Disabled
- Credit for Prior Year Minimum Tax
- Foreign Tax Credit
- General Business Credit

- Lifetime Learning Tax Credit
- Mortgage Interest Credit
  - limited to those with qualified Mortgage Credit Certificate
- Residential Energy Credits
- Retirement Savings Contributions Credit

Generally, above-the-line deductions are more desirable than itemized deductions because they:

- can be claimed even if the taxpayer does not itemize deductions;
- are not phased out or subject to a floor like many itemized deductions; and
- lower the taxpayer's AGI which can favorably impact –
  - the allowable portion of certain itemized deductions;
  - the taxability of social security benefits; and
  - the alternative minimum tax

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