

Re: 2023 Tax Planning: Standard vs Itemized Deductions

Dear Client:

There are two ways you can take deductions on your federal income tax return: you can itemize deductions or use the standard deduction. Deductions reduce the amount of your taxable income. Consider using the method that gives you the lower tax. Due to tax law changes in the last couple of years, if you itemized in the past, you might not want to continue to do so, so it's important for you to identify all deductions to report on your income tax return.

Here are some details about the two methods to help you understand which will benefit you the most:

Standard Deductions

The standard deduction amount adjusts every year and can vary by filing status. The standard deduction amount depends on the taxpayer's filing status, whether they are 65 or older or blind, and whether another taxpayer can claim them as a dependent. Taxpayers who are age 65 or older on the last day of the year and don't itemize deductions are entitled to a higher standard deduction.

Taxpayers who can't use the standard deduction include:

- A married individual filing separately whose spouse itemizes deductions.
- An individual who files a tax return for a period of less than 12 months because of a change in his or her annual accounting period.
- An individual who was a nonresident alien or a dual-status alien during the year. However, nonresident aliens who are married to a U.S. citizen or resident alien at the end of the year and who choose to be treated as U.S. residents for tax purposes can take the standard deduction.

Itemized Deductions

Taxpayers may need to itemize deductions because they cannot use the standard deduction. They may also itemize deductions when this amount is greater than their standard deduction.

A taxpayer may benefit by itemizing deductions for things that include:

- State and local income or sales taxes
- Real estate and personal property taxes
- Mortgage interest
- Mortgage insurance premiums
- Personal casualty and theft losses from a federally declared disaster
- Donations to a qualified charity
- Unreimbursed medical and dental expenses that exceed 7.5% of adjusted gross income

Contact Us

If you would like help in determining the best option for your individual tax planning needs, please call our office.

Sincerely,

EWK Legal, Tax & Accounting Services

For clients to help them understand the standard deduction versus itemized deductions. (03/13/2023)