

## Lesson 20: Itemized Deductions

Let's determine if Vanessa should itemize her deductions. Vanessa incurred expenses that may increase her deductions. She currently qualifies for the standard deduction of \$8,500 for the tax year.

Vanessa stated that she paid medical and/or dental expenses and donations, so you decided to probe further using Publication 4012 (Tab F), Itemized Deductions Interview Tips.

### Sample Interview Clarifying Medical Deductions

SAMPLE INTERVIEW	
VOLUNTEER SAYS...	VANESSA RESPONDS...
<p><i>Let's see if there are any other medical expenses you may be able to claim. How much did you pay in health-care premiums?</i></p>	<p>Well, I didn't have any health insurance last year, so I had to pay for all our checkups and my kids' allergy medication prescriptions and dental fillings. Here are the receipts I told you I had. If I get health insurance this year, will my payments be deductible on my next tax return?</p>
<p><i>Yes, health insurance premiums are deductible as long as they aren't pre-tax. Let's take a look at your medical and dental expenses. You were right; the total of your receipts comes to \$585. Now, let's see if we can deduct some transportation costs. Can you determine how far you drove for your medical and dental care, and did you have to pay for parking or tolls?</i></p>	<p>All my dental and medical appointments were in the same center. I went every two months. Each round trip was 20 miles, and I have receipts for the six trips I took during the year for a total of 120 miles. I didn't have any tolls or parking fees. Don't forget that I also paid about \$1,500 when I had my daughter Bella.</p>
<p><i>Well, there were two rates in effect for qualified medical travel in 2011. The rate was 19 cents per mile for January 1 through June 30 and 23.5 cents for July 1 through December 31. So, that's \$11.40 for the first half of the year and \$14.10 for the last half for a total of \$25.50.</i></p>	<p>What about the \$1,500 I spent when I had Bella?</p>
<p><i>We'll include that amount as well! That brings your total to \$2,111. However, to claim medical expenses, you will need to have paid more than 7.5% of your adjusted gross income. Since your medical expenses are less than that amount, you cannot get this deduction. Let's see what else you may be able to claim.</i></p>	

### Vanessa's Tax Deductions

During the tax year, Vanessa had some state income tax withheld as shown on her Form W-2.

15 State		16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
CO	Employer's state ID number 39-0000000	\$31,000.12	\$257.00			

**Form W-2 Wage and Tax Statement** **2011** Department of the Treasury—Internal Revenue Service  
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

## Sample Interview Clarifying State and Local Income Tax Deductions

SAMPLE INTERVIEW	
VOLUNTEER SAYS...	VANESSA RESPONDS...
<i>You can claim the state and local income tax. Your Form W-2 shows you had some state income tax withheld, so we'll include that amount as a deduction also.</i>	Excellent!
<i>Did you pay any personal property tax?</i>	No

## Sample Interview Clarifying Interest Deductions

SAMPLE INTERVIEW	
VOLUNTEER SAYS...	VANESSA RESPONDS...
<i>Did you pay any interest?</i>	Just the interest on my credit card. Is that deductible?
<i>I'm sorry, but it isn't.</i>	

## Vanessa's Gifts to Charity Deductions

During the tax year, Vanessa gave a total of \$200 in contributions to her church. She gives you a copy of the letter she received from her church. She can claim this deduction.

Based on your findings during the interview, you make the following notes on Vanessa's Form 13614-C, Part IV. By item 5, you write \$2,111 and by item 8, you write \$200.

(Form 13614-C)

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. Unreimbursed employee business expenses (such as teacher supplies, uniforms or mileage)?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Medical expenses (including health insurance premiums)? <b>\$2,111</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. Home mortgage interest? (Form 1098)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. Charitable contributions? <b>\$200</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Child/dependent care expenses, such as day-care?

## Vanessa's Miscellaneous Expense Deductions

You refer to Publication 17, Publication 4012 (Tab F), and Schedule A to determine if there are any miscellaneous expense deductions that Vanessa can claim. She tells you that she paid her bank \$35 for her safe deposit box. The box was used to store her investment documents, which makes this a deductible expense. Since the \$35 she paid is less than 2% of her AGI, she does not get the deduction for miscellaneous expenses.

## Itemized Deductions Summary

Based on your interview with Vanessa and your reference materials, you now know that Vanessa paid medical and dental expenses, state income taxes, and a fee for her safe deposit box. She also contributed money to her church. The total of all her itemized deductions is only \$457, which is less than her standard deduction amount of \$8,500. Vanessa will take the standard deduction.



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