

## TEN OVERLOOKED DEDUCTIONS

On average, taxpayers overpay Uncle Sam each year by about \$400 per return due to missed tax breaks and savings incentives. For example, nearly one million people fail to itemize mortgage interest, resulting in an overpayment of \$473 million, according to a 2002 GAO Report. In addition, more than two million taxpayers use the standard deduction when they should itemize, costing them lots of tax-savings dollars. Here are some more of the most common overlooked deductions:

### ITEMIZED DEDUCTIONS:

1. Medical expenses - in addition to what you've spent on doctors, hospitals, and medicines, other possibilities are health insurance premiums, prescription eyeglasses and contacts, hearing aids, medical transportation, equipment for handicapped people, and nursing home expenses.
2. State and local income taxes and personal property taxes.
3. Charitable contributions - cash and property donated to charitable organizations, including household items donated to charities.
4. Out-of-pocket job expenses that were not reimbursed by your employer, including car expenses (the non-commuting kind), travel expenses, uniforms, union dues, and continuing education expenses.

### "ABOVE-THE-LINE DEDUCTIONS"

Properly called adjustments to gross income, these deductions are available whether or not you itemize. The traditional IRA is one of the best-known of these. But you may also be eligible to deduct:

5. Student loan interest – up to \$2,500.
6. Tuition and fees deduction – up to \$3,000 of qualified higher education expenses.
7. Moving expenses - the cost of moving yourself, your family, and your belongings (including your pets) to a new job location.
8. Military reservists deduction – a brand new deduction for non-reimbursable travel expenses for reservists.
9. Clean fuel "hybrid vehicle" deduction – up to \$2,000 in 2003 (\$1,500 in 2004) for IRS certified hybrids - currently the Toyota Prius, Honda Insight, and Honda Civic Hybrid.
10. Deductions for the self-employed: one-half of self-employment (social security) taxes; 100% of self-employed health insurance premiums; contributions to self-employed retirement plans (SEPs, SIMPLEs, etc.)

**// The purchase of a home may be the event that makes itemizing worthwhile. That's because two heavy hitters – mortgage interest and real estate taxes – are often the deductions that beat the standard deduction. //**

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