Homeowner Tax Tips: Standard vs. Itemized Deductions

As we prepare to move into tax season, homeowners may have some questions about what is best in terms of claiming the standard deduction or itemizing. Here is some information from H&R Block that may help clarify.

Standard Deduction

The standard deduction is a fixed dollar amount that reduces the income you're taxed on. Your standard deduction varies according to your filing status. In 2012, the standard deduction is:

- $5,950 if you're filing as single or married filing separately
- $11,900 if married filing jointly or qualifying widow(er)
- $8,700 if you qualify to file as head of household

Your standard deduction increases if you're blind or age 65 or older.

About 2 out of every 3 returns claim the standard deduction. The standard deduction:

- Allows you a deduction even if you have no expenses that qualify for claiming itemized deductions
- Eliminates the need to itemize deductions, like medical expenses and charitable donations
- Let's you avoid keeping records and receipts of your expenses in case you're audited by the IRS

Itemized Deductions

Itemized deductions also reduce your taxable income. For example, if you're in the 15% tax bracket, every $1,000 in itemized deductions knocks $150 off of your tax bill.

You might benefit from itemizing your deductions on Form 1040, Schedule A, if you:

- Have itemized deductions that total more than the standard deduction you'd receive
- Had large, uninsured medical and dental expenses
- Paid mortgage interest and real estate taxes on your home
- Had large, unreimbursed expenses as an employee
- Had large, uninsured casualty (fire, flood, wind) or theft losses
- Made large contributions to qualified charities
- Had large, unreimbursed miscellaneous expenses

However, your itemized deductions might total less than your standard deduction. If so, you can still itemize deductions rather than claim the standard deduction. You might want to do this if you'd pay less tax. This can happen if you itemize on your state return and get a larger tax benefit than the federal tax benefit you'd lose if you didn't claim the federal standard deduction.

Before 2010, if your adjusted gross income (AGI) from Form 1040, line 38 was more than certain amounts, some of your itemized deductions were limited. However, for tax years after 2010, the IRS removed this limitation. You can deduct the full amount of your itemized deductions.

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