

Schedule A

[Click here for a worksheet to help you keep track of your Schedule A deductions during the year.](#)

Most taxpayers use a standard deduction when reducing the amount of their taxable income. Itemizing deductions helps increase the amount used to reduce your taxable income. By itemizing you will pay less in federal income tax.

If you itemize, you can deduct a part of your medical and dental expenses and un-reimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You can also deduct certain casualty and theft losses.

Note: Do not include on your Schedule A items deducted elsewhere, such as on Form 1040 or Schedule C.

Below are some helpful tips on what can be deducted on your Schedule A:

Section 1 - Medical and Dental Expenses

Expenses you paid that year, regardless of when the services were provided, for medical care (including dental). You may deduct only the amount by which your total medical care expenses for the year exceed 7.5% of your adjusted gross income. Medical care expenses include payments for the diagnosis, cure, mitigation, treatment, or prevention of disease, or treatment affecting any structure or function of the body. The cost of drugs is deductible only for drugs that require a prescription, except for insulin. Your total medical expenses for the year must be reduced by any reimbursement. It makes no difference if you receive the reimbursement or if it is paid directly to the doctor or hospital.

You may include qualified medical expenses you pay for yourself, your spouse, and your dependents, including a person you claim as a dependent under a multiple support agreement. If either parent claims a child as a dependent under the rules for divorced or separated parents, each parent may deduct the medical expenses he or she actually pays for the child. You can also deduct medical expenses you paid for someone who would have qualified as your dependent except that the person didn't meet the gross income or joint return test.

TIP: Most doctors and pharmacies will give you a detailed list of what you paid them during the tax year. They may charge you a small fee for this service but it is much nicer recordkeeping! Getting these records could also help you determine your medical mileage. In this day-and-age you do not have to keep all those pharmacy or doctor receipts!

Deductable:

- Fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, psychologists, and Christian Science practitioners

- Payments for hospital services, qualified long-term care services, nursing services, and laboratory fees
- Payments for acupuncture treatments
- Inpatient treatment at a center for alcohol or drug addiction
- Amount you paid for participating in a smoking-cessation program and for drugs prescribed to alleviate nicotine withdrawal
- Cost of participating in a weight-loss program for a specific disease or diseases, including obesity, diagnosed by a physician
- Expenses for admission and transportation to a medical conference relating to the chronic disease of yourself, your spouse, or your dependent (if the costs are primarily for and essential to the medical care).
- Special items (artificial limbs, false teeth, eyeglasses, contact lenses, hearing aids, crutches, wheelchairs, etc.)
- Special school or home for mentally or physically disabled persons
- Transportation costs primarily for and essential to medical care that qualify as medical expenses. The **actual fare** for a taxi, bus, train, or ambulance can be deducted. If you use your car for medical transportation, you can deduct actual out-of-pocket expenses such as gas and oil, **or** you can deduct the standard mileage rate for medical expenses. With either method you may include tolls and parking fees.
- Incidental cost of meals and lodging charged by the hospital or similar institution if your main reason for being there is to receive medical care
- Insurance premiums paid for accident and health or qualified long-term care insurance
- Birth control pills prescribed by your doctor
- Capital expenses for equipment or improvements to your home needed for medical care. (See Publication 502)
- Expenses of an organ donor
- Legal abortion
- Legal operation to prevent having children

Non-Deductable:

- Amount paid for nicotine gum and nicotine patches, which do not require a prescription
- Cost of purchasing diet food items
- The costs for meals and lodging while attending a medical conference
- Funeral or burial expenses
- health club dues
- over-the-counter medicines
- toothpaste, toiletries, cosmetics, etc.
- A trip or program for the general improvement of your health
- Most cosmetic surgery
- Insurance premiums for life insurance, for policies providing for loss of wages because of illness or injury, or policies that pay you a guaranteed amount each week for a sickness
- Insurance premiums paid by an employer-sponsored health insurance plan

- Maternity clothes
- Medical insurance included in a car insurance policy covering all persons injured in or by your car.
- Nursing care for a healthy baby
- Diaper service
- Social activities, such as dancing or swimming lessons
- Illegal operation or treatment

Section 2 - Taxes You Paid

State Income Taxes Paid **OR** Sales Tax Deduction

Individuals can deduct either state and local income taxes or sales taxes paid during the year. In other words, taxpayers will need to choose between these two deductions.

State Income Taxes Paid

State and local income taxes withheld from your wages during the year appear on your for W-2. The following amounts are also deductible: Any estimated taxes you paid to state or local governments during the year, and any prior year's state or local income tax you paid during the year. Many people can benefit by paying their state income taxes before year end in order to maximize their deductions for federal taxes.

Sales Tax Deduction

People can chose between two methods of calculating their sales tax deduction.

Method 1: Actual Sales Tax Expenses. Keep all your receipts, and add up the total amount of sales tax you paid during the year. This method is requires a tremendous amount of record keeping, but could result in a higher deduction. If you're using the actual expense method, keep all receipts for purchases you made. To make things easier, you may want to keep track of your purchases using personal finance software (example if Quicken) so you can keep a running tally of your sales tax expenses.

TIP: If choosing Method 1 please provide us in the total for the deduction. The taxpayer will need to do the extra work involved by adding up all their receipts for this deduction. Also remember that many receipts are printed on paper that will eventually fade. For your records we recommend you photocopy all your receipts and keep this with your tax file.

Method 2. Optional Sales Tax Tables. This method will calculate your sales tax deduction based off your income, exemptions, and zip code. Example is that in 85207 you would get 5.60% of you income for state sales tax and 2.45% of your income for local sales tax as your deduction.

TIP: If your calculation is close between State Income Tax Paid and Sales Taxes Paid then we would recommend that you take the sales tax deduction. This would not make your refund from the state taxable income in the following year.

Vehicle Sales Tax Deduction (**NEW FOR 2009** will need to make sure this is correct!)

A one-year-only deduction for 2009, individuals who purchase a new vehicle (including motor homes) can deduct sales tax or excise taxes, even if they don't itemize. The deduction is limited to the sales or excise tax applicable to the first \$49,500 in the vehicles purchase price, and the deduction phases out at an adjusted gross income of \$125,000 (or \$250,000 for joint filers).

Real Estate Taxes

Deductible real estate taxes are generally any state, local, or foreign taxes on real property.

Personal Property Taxes

Deductible personal property taxes are those based only on the value of personal property such as a boat or car. The tax must be charged to you on a yearly basis, even if it is collected more than once a year or less than once a year.

Click here to go to the [Vehicle Fee Recap with AZ DMV – Print it and bring it with you to your tax appointment!](https://servicearizona.com/webapp/feeRecap/) <https://servicearizona.com/webapp/feeRecap/>

Section 3 - Interest You Paid

Types of interest you can deduct as itemized deductions on schedule A include investment interest (limited to your net investment income) and qualified residence interest.

Personal Interest

You cannot deduct personal interest. Personal interest includes interest paid on a loan to purchase a car for personal use. Personal interest also includes credit card and installment interest incurred for personal expenses. Items you cannot deduct as interest include points (if you are a seller), service charges, credit investigation fees, and interest relating to tax-exempt income, such as interest to purchase or carry tax-exempt securities.

Qualified Residence Interest

Qualified residence interest is interest you pay on a loan secured by your main home or a second home. Your main home is where you live most of the time. It can be a house, cooperative apartment, condominium, mobile home, house trailer, or houseboat that has sleeping, cooking and toilet facilities.

A second home can include any other residence you own, and treat as a second home. You do not have to use the home during the year. However, if you rent it to others, you must also use it as a home during the year for more than the greater of 14 days or 10 percent of the number of days you rent it, for the interest to qualify as home mortgage interest.

Investment Interest

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. A form 5952 is used to figure the amount of investment interest expense you can deduct and the amount you can carry forward to future years. Your investment interest expense deduction is limited to your net investment income.

Other Deductions as Interest

The term "points" is used to describe certain charges paid to obtain a home mortgage. If you can deduct all of the interest on your mortgages, you may be able to deduct all of the points paid on the mortgage. When you purchase a home it is important to bring in the settlement papers from the purchase (and any refinancing you do). Sometimes there are deductions (points) that are on the settlement paperwork but not reported on the Form 1098.

Mortgage insurance premiums may be tax deductible. To qualify, the insurance policy must be for home acquisition debt on a first or second home. This itemized tax deduction is valid for the years 2007 through 2010.

Section 4 - Gifts to Charity

Your gift of cash or property must meet certain criteria in order to be tax-deductible. You must actually donate cash or property. A pledge or promise to donate is not deductible until you actually pay. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit.

Keeping Records of Your Charity

Taxpayers are required to keep excellent records of their charitable contributions. You must keep written records of all cash donations. This includes saving canceled checks, acknowledgment letters from the charity, and appraisals for donated property. Donations of \$250 or more will not be allowed as a tax deduction unless you have supporting documentation. Your records must indicate the name of the charitable organization, the date of your contribution, and the amount your contribution. This new record keeping requirement took effect beginning with the 2007 tax year.

Charitable Travel

Travel expenses such as transportation (actual expenses or \$.14 a mile), meals and lodging are deductible if there is not a significant element of personal pleasure, recreation, or vacation in the travel.

Non-Cash Contributions of Property

Contributions of property (other than cash) are subject to strict record keeping and substantiation rules. You must be able to substantiate the fair market value of the goods or property you donated, plus keep any written acknowledgments you receive from the charity. We suggest that you take pictures of all non-cash donations and keep them with your records. You must make an assessment of the fair market value of the property you contribute. Goodwill has a website with common donated items that you can use to find FMV. You must

keep reliable written records that include: how you figured the property's value at the time you gave it and the cost or basis of the property donated. You must attach IRS Form 8283 if your total non-cash contributions exceed \$500.

Car Contributions: Must Have Written Acknowledgement

If you contribute a car, truck, boat, airplane, or other vehicle, and the vehicle is worth more than \$500, you must received a written acknowledgement from the non-profit before you can claim a tax deduction. If you donate a qualified vehicle to a qualified organization and you claim a deduction of more than \$500, you can deduct the smaller of: the gross proceeds from the sale of the vehicle by the organization or the vehicle's fair market value on the date of the contribution.

You must attach to your return the copy of the Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, (or other statement containing the same information as Form 1098-C) you received from the organization. The Form 1098-C (or other statement) will show the gross proceeds from the sale of the vehicle. If you do not attach Form 1098-C (or other statement), you cannot deduct your contribution. You must get Form 1098-C (or other statement) within 30 days of the sale of the vehicle. But if exception 1 or 2 (described next) applies, you must get Form 1098-C (or other statement) within 30 days of your donation.

There are two exceptions to the rules just described for deductions of more than \$500.

Exception 1—vehicle used or improved by organization. If the qualified organization makes a significant intervening use of or material improvement to the vehicle before transferring it, and you claim a deduction of more than \$500, you generally can deduct the vehicle's fair market value at the time of the contribution. But if the vehicle's fair market value was more than your cost or other basis, you may have to reduce the fair market value to get the deductible amount, as described under *Giving Property That Has Increased in Value*, later. The Form 1098-C (or other statement) will show whether this exception applies.

Exception 2—vehicle given or sold to needy individual. If the qualified organization will give the vehicle, or sell it for a price well below fair market value, to a needy individual to further the organization's charitable purpose, and you claim a deduction of more than \$500, you generally can deduct the vehicle's fair market value at the time of the contribution. But if the vehicle's fair market value was more than your cost or other basis, you may have to reduce the fair market value to get the deductible amount, as described under *Giving Property That Has Increased in Value*, later. The Form 1098-C (or other statement) will show whether this exception applies. This exception does not apply if the organization sells the vehicle at auction. In that case, you cannot deduct the vehicle's fair market value.

Non-Cash Contributions over \$5,000: Must Have Written Appraisal

If you contribute property worth more than \$5,000, you must obtain a written appraisal of the property's fair market value.

Limits on the Charitable Contribution Deduction

Your charitable contribution tax deduction may be limited. There are limits specific to charitable contributions, and there are general limits on itemized deductions.

Not Deductible

Contributions are not tax deductible if given to any of the following:

- Political parties, political campaigns, or political action committees.
- Contributions given to individual people.
- Fees or dues paid to professional associations.
- Contributions to labor unions, chambers of commerce, or business associations.
- Contributions to for-profit schools and hospitals.
- Contributions to foreign governments.
- Fines or penalties paid to local or state governments.
- The value of your time for services rendered to a non-profit.

Section 5 - Casualty and Theft Losses

A casualty is the damage, destruction or loss of property resulting from an identifiable event that is sudden, unexpected or unusual. Some examples of these losses are loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents.

You can deduct non business casualty or theft losses only to the extent that:

1. The amount of each separate casualty or theft loss is more than \$100
2. The total amount of all losses during the year (reduced by the \$100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.

Federally declared disaster areas

The 10% of AGI limitation does not apply to a casualty loss in a federally declared disaster. Special rules apply if you had both gains and losses from non business casualties or thefts. See Form 4684 and its instructions for details. Use Schedule A, line 23, to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

Section 6 - Job Expenses and Certain Miscellaneous Deductions

These are broken down into 2 categories:

1. Expenses that are subject to the 2% of AGI limit
2. Expenses that are not subject to the 2% limit

Expenses Subject to the 2% AGI Limit

[\[Click here for a detailed list of deductible items – list is separate\]](#)

Most miscellaneous deductions fall under this category. To figure out how much you can deduct, calculate 2% of your AGI and subtract that from the amount of eligible miscellaneous expenses. Qualified expenses can be broken down into 3 groups: unreimbursed business expenses, tax preparation fees and "other" expenses. Some common deductions subject to the 2% AGI limit are:

- employee business expenses, including subscriptions to magazines or trade journals related to your work, education expenses for maintaining or improving your job skills, small tools, union dues and expenses and uniforms and other work clothing not suitable for street wear
- travel, transportation, meals and entertainment expenses related to service you perform as an employee
- hobby expenses, not exceeding income you receive from the hobby
- legal fees related to the production of taxable income
- tax advice and preparation fees
- expenses related to the production of taxable investment income, such as interest and dividends

Expenses Not Subject to the 2% AGI Limit

You can claim all miscellaneous deductions that fall under this category. Here are a few examples:

- gambling losses up to the amount of your winnings
- unrecovered investment in a pension when the recipient died before recovering his or her investment
- job-related expenses for handicapped persons, such as an aide
- casualty and theft losses from income-producing property
- repayments of amounts you previously were required to include in your income in a prior year, if the amount repaid exceeds \$3,000