

Taxes You Can Deduct If You Itemize

Did you know that you may be able to deduct certain taxes on your federal income tax return? You can receive these deductions if you file Form 1040 and itemize deductions on Schedule A. Deductions decrease the amount of income subject to taxation.

There are four types of deductible non-business taxes:

- **State and local income or sales taxes:** You can choose to claim a state and local tax deduction for either income or sales taxes on your return. You can deduct any estimated taxes paid to state or local governments and any prior year's state or local income tax as long as they were paid during the tax year. If deducting sales taxes instead, you may deduct actual expenses or use the optional tables provided by the IRS to determine your deduction amount, relieving you of the need to save receipts. Sales taxes paid on motor vehicles and boats may be added to the table amount, but only up to the amount paid at the general sales tax rate.
- **Real estate taxes:** Deductible real estate taxes are usually any state, local or foreign taxes on real property. If a portion of your monthly mortgage payment goes into an escrow account and your lender periodically pays your real estate taxes to local governments out of this account, you can deduct only the amount actually paid during the year to the taxing authorities. Your lender will normally send you a Form 1098, Mortgage Interest Statement, at the end of the tax year with this information.
- **Personal property taxes:** Personal property taxes are deductible when they are based on the value of personal property, such as a boat or car. To be deductible, 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.
- **Foreign income taxes:** Generally, you can take either a deduction or a tax credit for foreign income taxes, but not for taxes paid on income that is excluded from U.S. tax.

You can find more information on non-business deductions for taxes in IRS Publication 17, Your Federal Income Tax, under Chapter 22, Taxes, which is available at IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).