

Tax Deductions to consider for April 15

The following items should be considered when contemplating whether or not to itemize your deductions and file a Form 1040:

• **State and Local Taxes** - Even if you don't own a home, itemizing can pay off handsomely. Look at the income taxes that you paid to your state, and to your city or county, if applicable. Income taxes you pay to these governments are deductible. Add up the state and city taxes shown on your W-2s and compare the total to your standard deduction. If you made estimated tax payments to your state or local government (including any 2008 refund you had applied to your 2009 tax bill), be sure to total those amounts. And don't forget to add in any money you sent with your 2008 state and local tax returns in the spring of 2009.

• **Charitable Donations** - You can deduct charitable donations only if you itemize your deductions on form 1040. Add up the money you donated to organizations like the Red Cross, churches, synagogues, mosques and other nonprofit organizations. If you donated things like clothing, furniture or other household items, you need to determine their value. One way is to find out what your local thrift shop is charging for similar items, or you could use a software program like "ItsDeductible" that does this work for you. Make sure you use good judgment and that you don't overvalue your donations. Also, note that the law now demands more substantiation than in the past to back up charitable

donation deductions. Under the old rules, taxpayers needed a receipt to back up any charitable contribution of \$250 or more (a cancelled check was not sufficient). That's still the case for contributions of \$250 or more. But now you also need a receipt or a cancelled check to back up deductions for even smaller donations.

• **Medical Expenses** - Although medical expenses are deductible, very few taxpayers get to deduct them because deductible costs apply only to the extent that unreimbursed expenses exceed 7½ percent of your Adjusted Gross Income (AGI). So if your AGI is \$50,000, for example, the first \$3,750 (\$50,000 x 0.075) effectively don't count. Before you go through all of your doctors' bills and prescription receipts, do a quick calculation based on your income to make sure your time will be well spent. Note that:

Deductible medical expenses include doctor and dentist fees, chiropractor fees, lab fees, contact lenses, glasses, prescription drugs and medical supplies. If you have a question about a particular medical expense, consult IRS Publication 502: Medical and Dental Expenses.

You can deduct the premiums you pay for health insurance coverage, unless your employer pays for your coverage through a payroll deduction using pre-tax dollars. If so, you've already received a tax benefit for your premium payments, so don't deduct those premiums on your return. Consult your employer's benefits depart-

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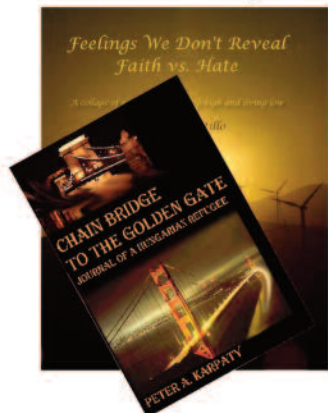


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