



## COMMONLY MISSED DEDUCTIONS ON YOUR TAX RETURN



Taking advantage of all of the tax breaks you deserve could be the difference between owing taxes or claiming that coveted tax refund. In order to maximize the credits and deductions to which you are entitled, here is a quick list for you to keep in mind this tax season.

### 1. STATE SALES TAX

For taxpayers who choose to itemize deductions, as opposed to take the standard deduction for your filing status, there is a choice between deducting state income taxes paid or state sales taxes paid. This is particularly important to those who are residents from a state that does not impose a state income tax, such as Florida. Generally, you or your tax preparer will choose whichever gives you the largest deduction.

The IRS has tables that show how much residents of various states can deduct, based on their income and state and local sales tax rates. That means the shoe box full of sales receipts from Starbucks coffees is not necessary to claim this deduction. Further, if you purchased a vehicle, boat, trailer, or any other large, major item this past year, you may add the sales tax you paid on that big-ticket item to the amount shown in the IRS table for your state.

### 2. OUT-OF-POCKET CHARITABLE CONTRIBUTIONS

Most taxpayers are aware if they itemize their deductions, they are entitled to deduct financial contributions and the fair market value of items donated to charity. In addition, taxpayers are also entitled to deduct certain out-of-pocket costs associated with volunteering. For example, construction supplies you paid for to assist with a build for House of Heroes or ingredients you paid for to prepare a dish for a soup kitchen. Also, you are entitled to deduct 14 cents per mile plus parking and tolls paid traveling to and from charitable events.

Remember to keep your receipts, though. If your contribution is more than \$250, you'll need written documentation provided by the charitable organization.

### 3. STUDENT LOAN INTEREST PAID BY MOM AND DAD

Generally, you can only deduct mortgage or student-loan interest if you are legally required to repay the debt. Therefore, if parents are paying back a child's student loans, the IRS treats that money as if it were given to the child who then paid the debt. This means that if you're not claimed as a dependent, you may qualify to deduct up to January 2022 \$2,500 of student loan interest paid even if your mom and/or dad actually paid the interest. On the other hand, if you are that parent paying for your child's student loan interest, you are not entitled to this as a deduction on your return.

This is what is commonly referred to as an “above-the-line deduction,” so you can take this adjustment/deduction even if you don’t itemize deductions.

#### **4. AMERICAN OPPORTUNITY CREDIT**

The American Opportunity Credit is good for all four years of college, not just the first two like its predecessor, the Hope Credit. This tax credit is based on 100% of the first \$2,000 spent on qualifying college expenses and 25% of the next \$2,000 for a potential annual credit per student of up to \$2,500. The full credit is available to individuals whose modified adjusted gross income is \$80,000 or less (\$160,000 or less for married couples filing a joint return). The credit is phased out for taxpayers with incomes above those levels.

Most tax credits can reduce your tax liability to \$0, but the excess credit drops off. That is known as a nonrefundable credit. However, the American Opportunity Credit is what is known as a refundable credit, which means if the credit exceeds your tax liability, it can trigger a refund.

#### **5. COLLEGE CREDIT FOR THOSE LONG GRADUATED FROM COLLEGE**

For those individuals who have qualified education expenses that are not for the first four years of college, you may qualify for a nonrefundable credit known as the Lifetime Learning Credit. The Lifetime Learning Credit can be claimed for any number of years and can be used to offset the cost of higher education for yourself, your spouse, and for your children.

The credit is worth up to \$2,000 a year, based on 20% of up to \$10,000 you spend for post high school courses that lead to new or improved job skills. Classes you take even in retirement at a vocational school or community college can qualify. The right to claim this credit phases out as income rises from \$53,000 to \$63,000 for an individual return and from \$107,000 to \$127,000 for couples filing jointly.

#### **6. JOB HUNTING COSTS**

If you were unemployed at all during 2021 and you searched for a position in your previous line of work, you can deduct job-hunting costs as miscellaneous expenses if you itemize your deductions (to the extent your total miscellaneous expenses exceed 2% of your adjusted gross income). Qualifying expenses can be written off even if you didn't land a new job. Job hunting expenses incurred while looking for your first job don't qualify, though. Deductible job search costs include, but aren't limited to:

- Transportation expenses incurred as part of the job search, including 56.5 cents a mile for driving your own car plus parking and tolls
- Food and lodging expenses if your search takes you away from home overnight
- Cab fares
- Employment agency fees
- Costs of printing resumes, business cards, postage, and advertising

## **7. MILITARY RESERVISTS' TRAVEL EXPENSES**

Members of the National Guard or military reserve may write off the cost of travel to drills or meetings. To qualify, you must travel more than 100 miles from home and be away from home overnight. If you qualify, you can deduct the cost of lodging and half the cost of your meals, plus an allowance for driving your own car to and from drills. For 2013 travel, the rate is 56.5 cents a mile, plus what you paid for parking fees and tolls.

## **8. CHILD CARE CREDIT**

If you paid someone to care for your child or children, you may qualify for the Child and Dependent Care Credit. You may include up to \$3,000 for one child and \$6,000 for two or more children for qualified care expenses. Keep in mind only expenses paid for children 12 years or younger will qualify. In order to qualify for this credit, you (and your spouse if married filing jointly) must be working outside of the home and receive earned income.



Office of the Staff Judge Advocate  
Legal Assistance Office  
267 Heritage Park Lane, BLDG 35202  
Fort Gordon, GA 30905  
706-791-7813