

Happy New Year! The holidays are almost over, the tree and decorations will be put away and resolutions will be started. Good luck with those! My resolution: To help everyone understand taxes without being scared.

One question I get- Should I itemize? Well, if you are single- your total itemizations need to be over \$5,700; Married filing joint- it needs to be over \$11,400; Head of household- there needs to be over \$8,400 in deductions.

In order to itemize, certain things need to add up to over the amounts above. Those included medical expenses (those need to be HIGHER than 7.5% of the bottom line on the front page of your tax return (AGI). I know- deer in the headlight look. Stay with me... you also have mortgage interest, PMI, charitable deductions, expenses for looking for a job, gambling losses (of course there is a rule for that too!); as well as other items.

Lets talk about the medical bills first. OK, the first rule is THEY NEED TO HAVE BEEN PAID, not just billed. These include co-pays for doctors, meds, dentists, eye exams and glasses, hearing aids, medical supplies, long term care premiums, and even the medical portion of the long term care. It also includes an ambulance ride, and, yes, it also includes the premiums that you paid out of pocket, after tax for health insurance. Nope, not life insurance. But! You get to claim medical mileage as well- think hard about this one. It does add up. This is mileage back and forth to clinics, X-ray/MRI scans, doctors and yes, even to the pharmacy to pick up meds. Have a flex spending medical account? You may NOT use it for over the counter medications any longer.

Sales tax. For those of us who live in KY and work in KY, this might not work out so much. We can deduct either Sales or Local taxes paid. If you are retired, you may fare better with Sales Tax. Keep track of it. It does add up.

Living in KY? Then yes, we get to deduct the amount of the registration tax. Not on the first year. Only after. This includes boats, trailers, motorcycles and campers. If you don't own a home and pay property tax, then this amount can be added to the Standard Deduction.

Have a camper or a boat (with running water, a head and kitchen/sleeping areas)? The interest on that loan can be used for a second home interest deduction.

Home mortgage paid to the lender includes interest for a vacation home, the second mortgage (again, more questions and more rules) and the interest paid on a construction loan as well.

Charitable Deductions. First rule is you need receipts to be able to claim. No receipt, no deduction. Keep track of EVERYTHING you donate to Goodwill, Vietnam Vets, St. Vincent De Paul and the like. This adds up. Cash donations- again, save the checks. Have an Exchange Student? The expenses paid for the student are deductible.

Miscellaneous Deductions. OK, first is easy. If you pay someone to do your taxes or the software, deduct it. In the middle of an audit, pay someone to help? Deduct it.

If you pay an attorney to help with your Disability case and you win? The amount paid to the attorney is deductible. Not true for Worker's Comp claim.

If you pay someone to watch over your investments or have a safe deposit box, or you have a complete loss in a Roth or Traditional IRA, those are deductible.

Job Hunting Expenses: cost of printing resumes, part of the internet payment (very limited), parking and mileage are deductible.

Unreimbursed employee expenses. If you pay out of pocket for items that you don't get reimbursed for- this is mileage for use of your auto, cell phone (very limited), office supplies, uniforms, tools, safety gear, dues, subscriptions and meals are all deductible. Some may require filling in an extra form. If you have an Office in Home, that will need to be filed with a separate form as well, and yes- there are additional expenses that go with that.

I have left out other deductions: Casualty and Loss, Hobby expenses and the gambling rules. The Casualty and Loss deduction is hard to explain in writing, and quite frankly, should be done by a Pro. The other deductions, it's easier to explain in person or on the phone.

I know that this sounds complicated, and I certainly didn't want it to be. I want to give everyone a quick overview of things that are missed. As you can tell, there are A LOT of if, ands or buts. If you still have a question, your best answer is to call a Tax Pro.

If you have any questions or curiosities, please email me at kristhetaxlady@gmail.com

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