



# Itemized Deductions Taxes Paid

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### Limit on Taxes Paid

The itemized deduction for state and local taxes paid is limited to \$10,000 (\$5,000 MFS).

### State and Local Income or General Sales Taxes

You can elect to deduct either state and local sales taxes or state and local income taxes, but not both.

#### State and Local Income Taxes

Includes the following:

- Withholding reported on Forms W-2, W-2G, 1099-G, 1099-R, 1099-MISC, and 1099-NEC.
- Taxes paid for a prior year, such as the balance due paid when filing the state income tax return or a balance due when amending a prior year state income tax return.
- State and local estimated tax payments made during 2023, including the prior year refund credited to 2023, and prior year estimated payments made during 2023.  
**Example:** The fourth quarter 2022 estimate paid in January 2023.
- Mandatory contributions made to the California, New Jersey, or New York Nonoccupational Disability Funds, the Rhode Island Temporary Disability Benefit Fund, the New Jersey, Pennsylvania, or Alaska Unemployment Compensation Funds, the Washington State Supplemental Workmen's Compensation Fund, or state family leave programs.

#### State and Local General Sales Taxes

There are two methods to compute the deduction.

- 1) **Actual taxes paid.** The actual taxes paid (from receipts, invoices, etc.) but only for purchases where the tax rate is the same as the general sales tax rate. For selective sales taxes on food, clothing, medical supplies, and motor vehicles, the actual tax paid is deductible even if the tax rate is less than the general sales tax rate. For motor vehicles, if the tax rate is more than the general sales tax rate, only the portion of the tax that would have been imposed at the general sales tax rate is deductible.

Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, SUVs, trucks, vans, off-road vehicles, and leased motor vehicles.

- 2) **The amount from the optional state sales tax tables.** An additional amount for local general sales taxes is allowed if your locality imposes a general sales tax, plus taxes paid on motor vehicles (described above), aircraft, boats, homes (including mobile and prefabricated homes), or materials to build a home. For motor vehicles only, if the tax rate is more than the general sales tax rate, only the portion of the tax that would have been imposed at the general sales tax rate is deductible. For aircraft, boats, and homes, the tax is deductible only if it was imposed at the general sales tax rate.

#### Business Taxes

Under either method, taxes paid on items used in a trade or business are not deductible as itemized deductions. However, these taxes are deductible as a business expense.