

Standard vs. Itemized Deduction



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Standard Deduction

The standard deduction reduces taxable income. It is a benefit that eliminates the need for many taxpayers to itemize actual deductions, such as medical expenses, taxes, interest, and charitable contributions, on Schedule A (Form 1040). The standard deduction is increased by an additional amount for taxpayers who are 65 or older, or are blind.

2023 Standard Deduction

The basic standard deduction for 2023 is:

Single or MFS	\$13,850
MFJ or QSS.....	\$27,700
HOH.....	\$20,800

Age 65 and/or blind. The additional amounts for age 65 or older and/or blind, per person, per event in 2023 are:

MFJ, QSS, or MFS.....	\$1,500
Single or HOH	\$1,880

Dependent. The standard deduction in 2023 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of \$1,250, or earned income plus \$400.

Itemized Deductions

You must decide whether to itemize deductions or to use the standard deduction. Generally, you should itemize deductions if the allowable itemized deductions are greater than the standard deduction. Some taxpayers must itemize deductions because they cannot use the standard deduction.

The standard deduction cannot be used if you are:

- Married filing as Married Filing Separately, and your spouse itemizes deductions.
- A nonresident alien or a dual-status alien during the year.

You may benefit from itemizing deductions on Schedule A (Form 1040), *Itemized Deductions*, if you:

- Cannot use the standard deduction.
- Had large unreimbursed medical and dental expenses.
- Paid interest or taxes on a home.
- Had large uninsured casualty or theft losses resulting from a presidentially-declared disaster area, or
- Made large charitable contributions.

Itemized Deductions Limitations

You may be subject to limitations on some itemized deductions.

- **Medical and dental expenses.** Qualified medical and dental expenses are deductible as itemized deductions to the extent they exceed 7.5% of adjusted gross income (AGI). For example, for an individual with an AGI of \$50,000, only those expenses that exceed \$3,750 (7.5% of \$50,000) would be deductible.
- **Taxes paid.** Deductible state and local income, property, and sales taxes are limited to a total amount of \$10,000 (\$5,000 Married Filing Separately). No deduction is allowed for foreign real property taxes.
- **Interest paid.** Deductible home mortgage interest is limited to total acquisition debt incurred after December 15, 2017, on a main and second home combined to \$750,000 (\$375,000 Married Filing Separately). Acquisition debt before December 16, 2017, is limited to \$1 million (\$500,000 for Married Filing Separately). Interest on home equity debt is not deductible unless used to buy, build, or substantially improve a qualified home.
- **Charitable contributions.** Your deductible charitable cash contributions are limited to 60% (2023) of AGI. Any amount over the limit can be carried forward up to the next five years. No charitable deduction is allowed for payments to higher education institutions in exchange for the right to purchase tickets or seating at an athletic event. No charitable deduction is allowed for contributions of \$250 or more without substantiation.