



# Individual Income Tax: Deduction Part 1

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Course #3116D

Taxes

2 Credit Hours

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# INDIVIDUAL INCOME TAX: DEDUCTION PART 1

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This course covers some of the deductions used to figure taxable income. Deductions discussed here include: standard deduction, medical and dental expenses, taxes and interest.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

**Standard Deduction**  
**Medical and Dental Expenses**  
**Taxes**  
**Interest Expense**

Study the course materials from pages 1 to 54

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

### Objectives:

- Recall the standard deduction amounts for the current year.
- Recognize the deductibility characteristics of medical and dental expenses.
- Recognize what taxes you can deduct if you itemize deductions.
- Recall what types of interest you can and cannot deduct.

## **NOTICE**

All references to IRS forms and line numbers throughout this course are based on prior year or draft forms available from the IRS in late 2022. There is a possibility some of these references will change.

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: STANDARD DEDUCTION

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## Chapter Objective

### After completing this chapter, you should be able to:

- Recall the standard deduction amounts for the current year.

## I. IMPORTANT CHANGES

**Increase in standard deduction.** The standard deduction for some taxpayers who do not itemize deductions on Schedule A of Form 1040 has been increased for all filers. The amount depends on your filing status. The 2022 standard deduction is increased to:

- Single or married separate – \$12,950
- Married joint or qualifying widow(er) – \$25,900
- Head of household – \$19,400

**Changes to itemized deductions.** For the years 2018 through 2025, your itemized deductions are no longer limited if your AGI is over a certain limit. However, your deduction for state and local income, sales, real estate, and property taxes is limited to a combined total deduction of \$10,000 (\$5,000 if married filing separately). Also, you can no longer deduct job-related expenses or other miscellaneous itemized deductions that were subject to the 2%-of-adjusted-gross-income floor. These changes will impact your choice of whether to take a standard deduction or to itemize deductions. There may be other changes that impact the amount of your itemized deductions.

## II. INTRODUCTION

This chapter discusses:

- How to figure the amount of your standard deduction,
- The standard deduction for dependents, and
- Who should itemize deductions.

Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions. If you have a choice, you can use the method that gives you the lower tax. The standard deduction is a dollar amount that reduces your taxable income. It is a benefit that eliminates the need for many taxpayers to itemize actual deductions, such as medical expenses, charitable contributions, and taxes, on Schedule A (Form 1040). The standard deduction is higher for taxpayers who:

- Are 65 or older, or
- Are blind.

## Note



The additional standard deduction for age and/or blindness is \$1,400 for married individuals, and \$1,750 for singles and heads of household. If a taxpayer is both 65 or older and blind, he or she is eligible to double the additional amount.

## Tip



You benefit from the standard deduction if your standard deduction is more than the total of your allowable itemized deductions.

**Persons not eligible for the standard deduction.** Your standard deduction is zero and you should itemize any deductions you have if:

- Your filing status is married filing separately, and your spouse itemizes deductions on his or her return;
- You are filing a tax return for a short tax year because of a change in your annual accounting period; or
- You are a nonresident or dual-status alien during the year. You are considered a dual-status alien if you were both a nonresident and resident alien during the year.

If you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the year, you can choose to be treated as a U.S. resident. If you make this choice, you can take the standard deduction.

## Caution!



If you can be claimed as a dependent on another person's return (such as your parents' return), your standard deduction may be limited.

### III. STANDARD DEDUCTION AMOUNT

The standard deduction amount depends on your filing status, whether you are 65 or older or blind, and whether another taxpayer can claim you as a dependent. Generally, the standard deduction amounts are adjusted each year for inflation.

**Decedent's final return.** The amount of the standard deduction for a decedent's final return is the same as it would have been had the decedent continued to live. However, if the decedent was not 65 or older at the time of death, the higher standard deduction for age cannot be claimed.

#### HIGHER STANDARD DEDUCTION FOR AGE (65 OR OLDER)

If you are age 65 or older on the last day of the year and do not itemize deductions, you are entitled to a higher standard deduction. You are considered 65 on the day before your 65th birthday. Therefore, you can take a higher standard deduction for 2022 if you were born before January 2, 1958.

#### HIGHER STANDARD DEDUCTION FOR BLINDNESS

If you are blind on the last day of the year and you do not itemize deductions, you are entitled to a higher standard deduction.

**Not totally blind.** If you are not totally blind, you must get a certified statement from an eye doctor (ophthalmologist or optometrist) that:

1. You cannot see better than 20/200 in the better eye with glasses or contact lenses, or
2. Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond these limits, the statement should include this fact. Keep the statement in your records.

If your vision can be corrected beyond these limits only by contact lenses that you can wear only briefly because of pain, infection, or ulcers, you can take the higher standard deduction for blindness if you otherwise qualify.

#### SPOUSE 65 OR OLDER OR BLIND

You can take the higher standard deduction if your spouse is age 65 or older or blind and:

1. You file a joint return, or
2. You file a separate return and can claim an exemption for your spouse because your spouse had no gross income and cannot be claimed as a dependent by another taxpayer.