PacificCPE

COURSE

31056C

Individual Income Tax: Deductions Part 1

Knowing when to itemize—and what qualifies—is a core skill for individual return preparation. This course covers the standard deduction, including enhanced amounts for seniors and dependents, as well as detailed rules for deducting medical and dental expenses, state and local taxes (including the SALT cap), and home mortgage and investment interest. New car loan interest deduction rules are also addressed. Practical and comprehensive, this course supports confident decision-making on Schedule A.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

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Final Exam Copy ↓

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course 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.

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Chapter 1: STANDARD DEDUCTION

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 2025 standard deduction, as increased by the OBBBA, is:

- Single or married separate – $15,750
- Married joint or qualifying surviving spouse – $31,500
- Head of household – $23,625

Additional senior deduction. For tax years 2025 through 2028, taxpayers age 65 or older can claim an additional deduction of $6,000 ($12,000 for qualifying married couples). The senior deduction phases out for single filers with a MAGI over $75,000 ($150,000 for joint filers).

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 $1,600 for married individuals, and $2,000 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 2024 if you were born before January 2, 1960.

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.

Caution!

You cannot claim the higher standard deduction for an individual other than yourself and your spouse.

IV. ADDITIONAL SENIOR DEDUCTIONS

New deduction. Effective for 2025 through 2028, individuals who are age 65 and older may claim an additional deduction of $6,000. This new deduction is in addition to the current additional standard deduction for seniors under existing law.

- The $6,000 senior deduction is per eligible individual (i.e., $12,000 total for a married couple where both spouses qualify).
- The deduction phases out for taxpayers with modified *adjusted gross income* over $75,000 ($150,000 for joint filers).

Qualifying taxpayers. To qualify for the additional deduction, a taxpayer must attain age 65 on or before the last day of the taxable year.

Taxpayer eligibility. The deduction is available for both itemizing and non-itemizing taxpayers.

- To claim the deduction, taxpayers must:
    1) Include the social security number of the qualifying individual(s) on the return, and
    2) File jointly if married.

V. STANDARD DEDUCTION FOR DEPENDENTS

The standard deduction for an individual who can be claimed as a dependent on another person’s tax return is generally limited to the greater of:

- $1,350, or
- The individual’s earned income for the year plus $450 (but not more than the regular standard deduction amount, generally $15,750).

However, if the individual is 65 or older or blind, the standard deduction may be higher.

Chapter 1: TEST YOUR KNOWLEDGE

The following questions are designed to ensure that you have a complete understanding of the information presented in the chapter (assignment).They are included as an additional tool to enhance your learning experience and do not need to be submitted in order to receive CPE credit.

We recommend that you answer each question and then compare your response to the suggested solutions on the following page(s) before answering the final exam questions related to this chapter (assignment).

1. Which of the following is correct regarding the standard deduction amount:

A. it is the same for all filing statuses

B. it is the same regardless of the taxpayer's age

C. the amount depends on the taxpayer's filing status

D. the amount was significantly reduced by the TCJA

2. The standard deduction for an individual who can be claimed as a dependent on another person's tax return is generally limited to which of the following:

A. $1,350

B. the individual's earned income for the year plus $450, but not more than the regular standard deduction amount

C. the greater of A and B above

D. the lesser of A and B above