

## **DEDUCTING STATE AND LOCAL SALES TAX**

### **IRS Tax Tip 2006-28**

If you itemize your taxes, you may choose to deduct state and local sales taxes instead of state and local income taxes.

The State and Local General Sales Tax Deduction Worksheet in the 2005 Form 1040 instruction booklet will help you determine your sales tax deduction amount in lieu of saving receipts throughout the year. You also may be able to add the state and local general sales tax paid on certain specified items, such as:

- **A motor vehicle**, but only up to the amount of tax paid at the general sales tax rate, and
- **An aircraft, boat, home building materials, or a home** (including mobile or prefabricated) if the tax rate is the same as the general sales tax rate.

Claim the deduction on line 5 of Schedule A, checking box B to indicate the amount represents sales tax.

While this deduction will mainly benefit taxpayers with a state or local sales tax but no income tax — in Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming — it may give a larger deduction to any taxpayer who paid more in sales taxes than income taxes. For example, you may have bought a new car, boosting your sales tax total, or claimed tax credits, lowering your state income tax.

You may download the 2005 Form 1040 Instructions from the IRS Web site at [IRS.gov](http://IRS.gov), or order it by calling 1-800-TAX-FORM (1-800-829-3676).

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