

SHOULD YOU ITEMIZE? IRS TAX TIP 2006-05

Whether to itemize deductions on your tax return depends on how much you spent on certain expenses last year. Money paid for medical care, mortgage interest, taxes, charitable contributions, casualty losses, and miscellaneous deductions can reduce your taxes. If the total amount spent on those categories is more than the standard deduction, you can usually benefit by itemizing.

The standard deduction amounts are based on your filing status and are subject to inflation adjustments each year. For 2005, they are:

Single	\$5,000
Married Filing Jointly	\$10,000
Head of Household	\$7,300
Married Filing Separately	\$5,000

- **Some taxpayers have different standard deductions.** The standard deduction is more for taxpayers age 65 or older and for those who are blind. It is generally less for those who can be claimed as a dependent on some other taxpayer's return.
- **Limited itemized deductions.** Your itemized deductions may be limited if your adjusted gross income is more than \$145,950, or \$72,975 for Married Filing Separately. This limit applies to all itemized deductions except medical and dental expenses, casualty and theft losses, gambling losses, and investment interest.
- **Stipulations for Married Filing Separately.** When a married couple files separate returns and one spouse itemizes deductions, the other spouse must also itemize and cannot claim the standard deduction.
- **Some taxpayers are not eligible for the standard deduction.** They include nonresident aliens, dual-status aliens, and individuals who file returns for periods of less than 12 months.
- **Forms to use.** To itemize your deductions, use Form 1040, U.S. Individual Income Tax Return, and Schedule A, Itemized Deductions.

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