

TAX SAVING ITEMS

A credit is more valuable than a deduction. A credit reduces your tax bill dollar for dollar. A deduction only reduces your tax bill by whatever tax bracket you are in. For most taxpayers, the bracket is about 10-22%.

Item	Deduction vs. Credit	Description
Child care	Credit. Rate of credit varies from 20 to 35% according to income level.	Must be for work or school. Expense is limited to \$3,000 per child, \$6,000 per tax return.
Student loan interest	Deduction limited to \$2,500	Income must be below \$180,000 for joint return, and \$90,000 for single.
College tuition	Credit, part of which is refundable.	If student is your dependent, then credit goes on your return, regardless of who makes payment.
Energy savings See Energy Credits form for more information	30% credit with various limits	Windows, Exterior doors, Insulation, Central air conditioner, non-electric water heater, non-electric furnace, heat pump, biomass stove, solar panels, electric vehicles.
IRA	Deduction up to \$6500 per individual (extra \$1000 if over age 50).	Deduction subject to income limits if covered by a retirement plan at work. Can still contribute for previous year up until April 15.
Health Savings Account	Deduction limited to \$7850 per family; \$3850 single. Additional \$1000 if over age 55.	Any amount employer takes from your paycheck is pre-tax and not deductible; however, you can put in money on your own that would be deductible. Can still contribute for previous year up until April 15.
401k	Reduces taxable income on W2.	Should max this out at work. Most of the tax savings comes in each paycheck, not at end of year with tax return.
Adoption	Credit maximum \$15,950. Unused portion can be carried forward to future years.	If child is special needs (definition is quite liberal) then credit is for \$15,950 (even though you incurred no expense). If not special needs, then credit is limited to amount of money actually spent in obtaining the adoption.
Retirement Saver's credit (IRA, Roth IRA, 401k)	Credit varies from 10 to 50% according to income level.	Besides the normal deduction for putting money into a retirement account, this is a bonus to encourage lower income taxpayers to save for retirement. Income must be below \$73,000 joint, or \$36,500 single.

ITEMIZED DEDUCTIONS

When you itemize deductions, it takes the place of the standard deduction. Thus, the only part of your itemized deductions that is saving you money, is the part that exceeds the standard deduction.

The standard deduction is \$27,700 for married couples (\$30,300 if both are over 65 years of age) and \$13,850 for singles (\$15,700 if over 65). Thus, very few people itemize deductions anymore.

Item	Description
Medical	Only count the amount over 7.5% of your income.
Taxes	State income tax or sales tax whichever is greater; real estate tax. This deduction is capped at \$10,000.
Charity	*see Qualified Charitable Distribution (QCD) below
Mortgage interest	
Mortgage insurance premium	
Loan Origination Fee (points)	Purchase or refinance of home

If you have a sizable amount of these items, but not enough to itemize (or even if you barely have enough to itemize) you might want to consider a strategy where you make two years worth of donations and tax payments in odd numbered years and no payments in even numbered years. Thus, you would be able to itemize in the odd years, but still get the benefit of the standard deduction in the even years. Remember, it is only the part of itemized deductions that exceeds the standard deduction that is actually saving you money. Using this strategy, you could save hundreds of dollars on the odd years, and only lose little if any on the even years.

QUALIFIED CHARITABLE DISTRIBUTION (QCD)

If you have funds in an IRA and are at least 70 ½ years old, you are eligible for a great tax break. Instead of paying your donations to charity (in most cases, tithing, fast offerings, etc.) from normal funds, you can direct the trustee of your IRA to send it directly to the charity or church and you don't have to pay tax on the withdrawal from your IRA. You can do any amount up to \$100,000. You can do it any time during the year, but will want to make sure you do it before the trustee distributes your required minimum distribution (RMD) because this will take the place of it. Great way to get money out of your IRA tax free.

IDAHO only

Item	Deduction vs. Credit	Description
Health and Long-term insurance premiums	Deduction	Does not include premiums deducted from paycheck because they are pre-tax. Does include medicare premium.
Handicapped dependent	Credit of \$100	
Over age 65 dependent	Credit of \$100	
Retirement benefits for civil service, law enforcement, and military	Deduction	Must be at least age 65, or 62 and disabled.
Energy	Deduction	Similar to federal
1 st time home buyer savings account	Deduction	This is a special savings account that can be withdrawn tax free when you purchase a 1 st home. You can deposit up to \$15,000 annually, and \$100,000 lifetime.
Schools, libraries, Idaho Youth Ranch	Deduction	Limited to 50% of amount donated, or 50% of total tax, or \$1000 whichever is smaller.
Live organ donation	Deduction	Cost of operation up to \$5,000

