

Deductions and credits



Individual and itemized deductions

- ✓ **Traditional IRA contribution:** limit **\$7,000/yr** (**\$8,000** if age 50+); limited to taxable compensation

Itemized: Schedule A

- ✓ **Medical:** amount **exceeding 7.5% of AGI**; mileage **21¢/mile** (2025)
- ✓ **SALT** (state/local income or sales + property taxes): capped at **\$40,000** (\$20,000 MFS)
- ✓ **Mortgage interest:** acquisition debt up to **\$750,000**; points on a main home deductible when paid; mortgage insurance no longer deductible
- ✓ **Charitable:** cash up to **60% of AGI** (or 20/30/50% by type); written acknowledgment for any gift **≥\$250**; **Form 8283** if noncash gifts total **>\$500**; excess carries forward **5 years**
- ✓ **Casualty/theft:** personal losses deductible **only** for a **federally declared disaster** (2018–2025); **Form 4684**
- ✓ **Gambling losses:** to the extent of winnings (2025); from **Jan 1, 2026** (OBBBA), only **90%** of losses, still capped at winnings; **comps** are taxable winnings



Business and special deductions

- ✓ **Methods:** cash, accrual or hybrid; change via **Form 3115**. **IRC §162** = ordinary and necessary
- ✓ **Meals** **50%** deductible; **entertainment nondeductible** (TCJA); business gifts capped at **\$25** per recipient
- ✓ **SE health insurance** (adjustment). **Home office:** used **regularly and exclusively**; **Form 8829**
- ✓ **QBI (§199A):** deduct up to **20%** of qualified business income (pass-throughs)
- ✓ **NOL:** carried **forward indefinitely** (**80%** of taxable income). **Start-up and organizational costs:** deduct up to **\$5,000** each; excess amortized over **15 years**
- ✓ **Depreciation:** straight-line, 200% declining balance, **MACRS**
 - 5-yr: autos, computers
 - 7-yr: furniture
 - 27.5-yr: residential rental
 - 39-yr: nonresidential
- ✓ **§179** immediate expensing (**cannot create a loss**); **bonus depreciation** (**can create a loss**); §179 taken first
- ✓ **Nonbusiness bad debt:** deductible only when **totally worthless**; reported as a **short-term capital loss** (Sch D)
- ✓ **Auto loan interest** (OBBBA, 2025–2028): up to **\$10,000/yr**, no itemizing needed; U.S.-assembled **new** vehicle; phase-out at **MAGI \$100,000 single / \$200,000 MFJ**; Sch 1-A (VIN required)



Family and earned income credits

- ✓ **Child and Dependent Care** (nonrefundable, **Form 2441**)
Care for a dependent **under 13** or incapacitated; expense cap **\$3,000** (one) / **\$6,000** (two+); rate **35%** (AGI ≤\$15,000) down to **20%** (AGI >\$43,000); provider SSN/EIN
- ✓ **Child Tax Credit**
\$2,200 per qualifying child **under 17**; refundable up to **\$1,700** (15% of earned income over \$2,500); SSNs required (2025)
- ✓ **Credit for Other Dependents**
\$500 nonrefundable; phase-out at **\$200,000** (\$400,000 MFJ)
- ✓ **Earned Income Credit** (refundable)
Must have earned income; **not** MFS; investment income ≤**\$11,950** (2025); max **3** children; valid SSNs; U.S. residence >½ year. No children: age **25–64**
- ✓ **Premium Tax Credit** (**Form 8962**)
Household income ≥**100%** of FPL; **no 400% ceiling** for 2025; excess advance PTC repaid, capped below **400%** of FPL, in full at 400%+
- ✓ **Adoption Credit** (**Form 8839**)
Child under 18; up to **\$5,000** refundable from 2025



Education and other credits

- ✓ **American Opportunity Credit**
Up to **\$2,500** per student, first **4 years**; **40% refundable** (**\$1,000**); **100%** of the first \$2,000 + **25%** of the next \$2,000; phase-out **\$80,000–\$90,000** single / **\$160,000–\$180,000** MFJ; not MFS. Qualified: tuition, fees, books, required materials (not room and board)
- ✓ **Lifetime Learning Credit**
20% of tuition; credit up to **\$2,000** per return; unlimited years; nonrefundable
- ✓ **Saver's Credit** (**Form 8880**)
Age 18+, not a full-time student, not a dependent
- ✓ **Credit for the Elderly or Disabled** (**Schedule R**)
65+ or permanently and totally disabled; **15%** of the initial amount; not MFS (unless apart all year)
- ✓ **Energy** (**Form 5695**), **Foreign Tax Credit** (**Form 1116**), **Fuels Credit** (refundable, **Form 4136**)