

2020 Itemized Deductions

Only about 10% of the population takes advantage of Itemized Deductions. These deductions reduce your taxable income and come from specific expenses that the IRS allows. For most people, the Standard Deduction is more than they can itemize and it's more work to claim them. You can't take both the Standard Deduction and also itemize - you have to pick one.

Pros & Cons of the Standard Deduction:

Pros	Cons
It is easier and faster - no proof is required.	You will get more or less of a deduction based on your filing status (e.g. single vs married), your age (those over 65 or blind get more), and whether you can claim a dependent
Congress usually increases the Standard Deduction each year.	Married but filing separately does not allow one of you to itemize and the other to take the Standard Deduction.

Pros & Cons of Itemizing:

Pros	Cons
You can usually get a higher amount deducted, meaning that you will pay less tax.	You have to understand the rules and they are complicated!
There are hundreds of potential deductions and some are really good, like owning a home with a mortgage allows you to take deductions for mortgage interest and property taxes.	It takes a lot more time to itemize and prove that you deserve the itemized deductions than to check a box for the Standard Deduction.

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Here are some potential deductions that have changed from 2019:

Medical and Dental Expenses: The threshold for unreimbursed medical and dental expenses remains 7.5%. This means you can only deduct expenses that exceed 7.5% of your AGI. Medical expenses include costs for health insurance premiums and long-term care insurance premiums paid as well.

State and Local Taxes: Deductions for state and local sales, income and property taxes remain in place but are limited to a combined total of \$10,000 (\$5,000 for married taxpayers filing separately).

Home Mortgage Interest: You may only deduct mortgage interest on mortgages obtained to buy, build or improve your home. Your mortgages cannot exceed \$750,000 (\$375,000 for married taxpayers filing separately).

Charitable Donations: The percentage limit for charitable cash donations to public charities is 60%.

Casualty & Theft Losses: The deduction for personal casualty and theft losses has been repealed with the exception of losses attributable to federal declared disasters.

Job Expenses and Miscellaneous Deductions subject to 2% floor: Miscellaneous deductions, including but not limited to unreimbursed employee expenses, legal and financial management fees and tax preparation expenses that exceed 2% of your AGI have been eliminated.

For high-income taxpayers who itemize their deductions, the Pease limitation, named after former Rep. Don Pease (D-OH) used to cap or phase out certain deductions, has been eliminated. There are no Pease limitations for 2020.

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