It’s important for taxpayers to know the difference between standard and itemized deductions

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Taxpayers have two options when completing a tax return, take the standard deduction or itemize their deductions. Most taxpayers use the option that gives them the lowest overall tax.

Due to all the tax law changes in the recent years, including increases to the standard deduction, people who itemized in the past might want to switch to the standard deduction.

Here are some details about the two options.

Standard deduction

The standard deduction amount increases slightly every year and varies by filing status. The standard deduction amount depends on the taxpayer's filing status, whether they are 65 or older or blind, and whether another taxpayer can claim them as a dependent. Taxpayers who are age 65 or older on the last day of the year and don't itemize deductions are entitled to a higher standard deduction.

Most filers who use Form 1040 can find their standard deduction on the first page of the form. The standard deduction for most filers of Form 1040-SR, U.S. Tax Return for Seniors, is on page 4 of that form.

Not all taxpayers can take a standard deduction, which is discussed in the Instructions for Forms 1040 and 1040-SR. Those taxpayers include:

- A married individual filing as married filing separately whose spouse itemizes deductions—if one spouse itemizes on a separate return, both must itemize.
- An individual who files a tax return for a period of less than 12 months. This is uncommon and could be due to a change in their annual accounting period.
- An individual who was a nonresident alien or a dual-status alien during the year. However, nonresident aliens who are married to a U.S. citizen or resident alien can take the standard deduction in certain situations.

Itemized deductions

Taxpayers choose to itemize deductions by filing Schedule A, Form 1040, Itemized Deductions. Itemized deductions that taxpayers may claim include:

- State and local income or sales taxes
- Real estate and personal property taxes
- Home mortgage interest
- Mortgage insurance premiums on a home mortgage
- Personal casualty and theft losses from a federally declared disaster
- Gifts to a qualified charity
- Unreimbursed medical and dental expenses that exceed 7.5% of adjusted gross income

Some itemized deductions, such as the deduction for taxes, may be limited. Taxpayers should review the instructions for Schedule A Form 1040 for more information on limitations.

More information:

- How Much Is My Standard Deduction?
- Topic No. 551, Standard Deduction

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