FEDERAL INCOME TAX CREDITS AND DEDUCTIONS FOR INDIVIDUALS

CREDITS

Refundable credits *can result in a refund, even if the credit is larger than what you may owe. They may not be 100% refundable, though, such as the American Opportunity Credit, which is 40% refundable.* ***Non-refundable credits*** *are credits that provide a refund* ***only up to the amount you may owe.***

CREDIT NAME	REFUNDABLE/NON-REFUNDABLE?	DETAILS (High Level)
Earned Income Tax Credit	Refundable	The Earned Income Tax Credit, EITC or EIC, is a benefit for working people with low to moderate income. To qualify, you must meet certain requirements and file a tax return, even if you do not owe any tax or are not required to file. EITC reduces the amount of tax you owe and may give you a refund.
Child & Dependent Care Credit	Non-Refundable	A credit for the costs of care for a qualifying individual to allow you to work or look for work. The dollar limit on the amount of the expenses you can use to figure the credit is **$3,000** for the care of one qualifying individual **or $6,000** for two or more qualifying individuals. The amount of your credit is between 20 and 35 percent of your allowable expenses. The percentage you use depends on the amount of your adjusted gross income.
Adoption Credit	Non-Refundable	A nonrefundable tax credit for qualified adoption expenses paid to adopt an eligible child.

Adoption Credit (continued)		The credit may be allowed for the adoption of a child with special needs, even if you do not have any qualified expenses. For 2016, the credit is reduced if your modified adjusted gross income (MAGI) falls between $201,920 and $241,920; the credit is eliminated if your MAGI is more than $241,920. In addition, there is an income exclusion for employer-provided adoption assistance.
Child Tax Credit	Refundable	The Child Tax Credit is an important tax credit that may be worth as much as $1,000 per qualifying child depending upon your income. Here are 10 important facts from the IRS about this credit and how it may benefit your family.
Credit for Elderly or Disabled	Non-refundable	A credit for taxpayers that are a). aged 65 or older **OR** retired on permanent and total disability **and** received taxable disability income for the tax year; **AND** b).with an adjusted gross income **OR** the total of nontaxable Social Security, pensions annuities or disability income under specific limits The credit ranges between $3,750 and $7,500.
Premium Tax Credit (ACA)	Refundable* *While you can claim both the both the Premium Tax Credit and Health Coverage Tax Credit on your return, you **CANNOT** claim both credits for the same coverage for the same coverage months.	If you, your spouse or a dependent on your tax return purchased health insurance coverage from the federally facilitated or a state-based Health Insurance Marketplace, you may be eligible to claim a premium tax credit.

Health Coverage Tax Credit	Refundable* *While you can claim both the both the Premium Tax Credit and Health Coverage Tax Credit on your return, you **CANNOT** claim both credits for the same coverage for the same coverage months.	The Health Coverage Tax Credit is a tax credit that pays 72.5 percent of qualified health insurance premiums for eligible individuals and their families. The HCTC acts as partial reimbursement for premiums paid for qualified health insurance coverage and can now be claimed for qualified coverage through 2019.
Saver's Credit	Non-refundable	A credit to help low- and moderate-income workers, who have an adjusted gross income (AGI) that does not exceed $30,000 ($45,000 if head of household; $60,000 if married filing jointly), save for retirement.
Foreign Tax Credit	Non-refundable	A credit letting U.S. taxpayers avoid or reduce double taxation for income taxes paid to a foreign country or U.S. possession.
Excess Social Security and RRTA Tax Withheld	Refundable	A credit for taxpayers who a). worked for two or more employers and had too much Social Security tax withheld from their pay; **OR b).** railroad employees who had excessive tier 1 railroad retirement (RRTA) tax and tier 2 RRTA tax withheld. This is a refundable tax credit, which means taxpayers may get money back even if they have no tax withheld.
Credit for Tax on Undistributed Capital Gain	Refundable	If a regulated investment company (commonly called a *mutual fund*) or real estate investment trust (REIT) paid a tax on your capital gain distribution, you are allowed a credit for the tax.

Nonrefundable Credit for Prior Year Minimum Tax	Non-refundable	The Alternative Minimum Tax (AMT) attempts to ensure that individuals and corporations that benefit from certain exclusions, deductions or credits pay at least a minimum amount of tax. If you are not liable for AMT this year, but you paid AMT in one or more previous years, you may be eligible to take a minimum tax credit against your regular tax this year. The minimum tax credit is allowed only for the AMT caused by deferral items, such as depreciation. You may also increase your minimum tax credit to the extent you had a qualified electric vehicle credit not allowed for 2013 solely because of tentative minimum tax limitations.
Credit to Holders of Tax Credit Bonds	Non-refundable	Tax credit bonds are bonds in which the holder receives a tax credit in lieu of some or all of the interest on the bond. You may be able to take a credit if you are a holder of clean renewable energy bonds (issued before 2010), new clean renewable energy bonds, qualified energy conservation bonds, qualified school construction bonds, qualified zone academy bonds or Build America Bonds.
Lifetime Learning Credit	Non-refundable	A credit for up to $2,000 per year to pay for qualified tuition and required enrollment fees at an eligible educational institution for you, your spouse or a dependent, if your modified adjusted gross

Lifetime Learning Credit (continued)		income (MAGI) is $65,000 or less ($130,000 or less for married filing jointly). You cannot claim this credit for a student, if you claimed the American Opportunity Tax Credit for that student.
American Opportunity Tax Credit	Refundable	A credit for tuition, required enrollment fees and course material for the first four years of post-secondary education for up to $2,500 per eligible student per year. Your modified adjusted gross income (MAGI) must be under $90,000 ($180,000 for joint filers) and you must not have claimed the AOTC or the former Hope Credit for more than four tax years for the same eligible student. Forty percent of this credit may be refundable
Mortgage Interest Credit	Non-refundable	The mortgage interest credit helps lower-income individuals afford home ownership. You must contact the appropriate government agency about acquiring a Mortgage Credit Certificate (MCC) before getting a mortgage or buying a home. If you itemize your deductions, you must reduce your home mortgage interest deduction by the amount of the mortgage interest credit you claim.
Residential Energy Efficient Property Credit	Non-refundable	A credit of 30 percent of the expenditures made by a taxpayer during the taxable year for: • qualified solar electric systems;

Residential Energy Efficient Property Credit (covered)		• qualified solar water heaters; • qualified fuel cell property; • qualified small wind energy property; and • qualified geothermal heat pumps. The credit for expenditures made for qualified fuel cell property is limited to $500 for each one-half kilowatt of capacity of the property; the amounts of the other qualified expenditures eligible for the credit are not limited. In addition, this credit may be carried over if it exceeds the limitation imposed by section 26(a). The credit is available for property placed in service through Dec. 31, 2016. The credit for solar electric property and solar water heating property is extended for property placed in service through December 31, 2021, at applicable percentages as described in the statute
Nonbusiness Energy Property Credit	Non-refundable	A credit of 10 percent of the cost of qualified energy-efficient improvements. Qualified improvements include adding insulation, energy-efficient exterior windows and doors, and certain roofs. The cost of installing these items is not included in the credit calculation. Additionally, a credit is available, including the costs of installation, for certain high-efficiency heating and air-conditioning systems, as well as high-efficiency water heaters

Nonbusiness Energy Property Credit (continued)		and stoves that burn biomass fuel. There is a lifetime limitation of $500, of which only $200 may be used for windows. Qualifying improvements must have been placed in service in the taxpayer's principal residence located in the United States through Dec. 31, 2016.
Low-Income Housing Credit (for Owners)	Non-refundable	A credit for owners of residential low-income rental buildings satisfying specified conditions that can be taken over a 10-year credit period. The state housing credit agency (Agency) providing credits completes Part I of Form 8609 *Low-Income Housing Credit Allocation and Certification* (PDF), for each building and attaches a copy of each completed Form 8609 to the Form 8610, *Annual Low-Income Housing Credit Agencies Report* (PDF), which are then filed with the Low-Income Housing Credit (LIHC) unit at the Philadelphia campus. The original of the Form 8609 is sent by the Agency to the building owner, who submits the original to the LIHC unit by the due date (including extensions) of the first tax return the owner files Form 8609-A, *Annual Statement for Low-Income Housing Credit* (PDF).
FAQ on Capital Gains, Losses and Sale of Home		https://www.irs.gov/faqs/capital-gains-losses-and-sale-of-home

DEDUCTIONS

Deductions are subtracted from your income prior to calculation of your tax liability.

DEDUCTION NAME	DETAILS (HIGH LEVEL)
Deductible Business Expenses	If you are an employee, you may be able to deduct your work-related expenses as miscellaneous itemized deductions to the extent that they exceed 2 percent of your adjusted gross income.
Standard Mileage Rates	Use the standard mileage rate to figure the deductible costs of operating your car for business purposes. If you do not use the standard mileage rate, you may be able to deduct your actual car expenses. Beginning Jan. 1, 2017, the standard mileage rates are: • 53.5 cents per mile for business miles driven, down from 54 cents for 2016. • 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016. • 14 cents per mile driven in service of charitable organizations
Home Office	If you use part of your home for business, you may be able to deduct expenses for the business use of your home. The home office deduction is available for homeowners and renters, and applies to all types of homes. **Simplified Option** For taxable years starting on, or after, January 1, 2013 (filed beginning in 2014), you now have a simplified option for computing the home office deduction (IRS Revenue Procedure 2013-13, January 15, 2013). The standard method has some calculation, allocation, and substantiation requirements that are complex and burdensome for small business owners. This new simplified option can significantly reduce the burden of recordkeeping by allowing a qualified taxpayer to multiply a prescribed rate by the allowable square footage of the office in lieu of determining actual expenses.

Home Office (continued)	**Regular Method** Taxpayers using the regular method (required for tax years 2012 and prior), instead of the optional method, must determine the actual expenses of their home office. These expenses may include mortgage interest, insurance, utilities, repairs, and depreciation. Generally, when using the regular method, deductions for a home office are based on the percentage of your home devoted to business use. So, if you use a whole room or part of a room for conducting your business, you need to figure out the percentage of your home devoted to your business activities
Business Use of a Car	If you use your car in your job or business and you use it only for that purpose, you may be able to deduct its entire cost of operation. However, if you use the car for both business and personal purposes, you may deduct only the cost of its business use and you must keep records to support your claim. Your unreimbursed employee expenses are subject to the 2 percent of adjusted gross income floor on Schedule A.
Business Travel Expense	Some deductible expenses while traveling away from home include the costs of travel between your home and your business destination, using your car while at your business destination, fares for taxis or other types of transportation, meals, lodging, tips, dry cleaning and business calls while on your business trip.
Bad Debt	To deduct a bad debt, you must show that a).There was an intention at the time of the transaction to make a loan and not a gift, and b). You have no reasonable expectation that the non-business bad debt will be repaid.
Business Entertainment Expense	Generally, 50 percent of meal and entertainment expenses are allowed as a deduction, and you must have records to prove the business purpose
Depreciation and Amortization	You may be able to depreciate property you own

Depreciation and Amortization (continued)	that is used in a business with a determinable useful life beyond one year, and that is not categorized as excepted property. Depreciation rules differ for cars, residential rental property, office space in your home or farm property
Sale of Home	If you have a gain from the sale of your main home, you may qualify to exclude up to $250,000 of that gain from your income, if you have owned and used your home as your main home for a period aggregating at least two years out of the five years prior to its date of sale. You may qualify to exclude up to $500,000 of that gain if you file a joint return with your spouse. There are several limitations and exceptions to these general rules.
Individual Retirement Arrangements (IRAs)	You may be able to deduct some or all of your contributions to a traditional IRA, or be eligible for a tax credit equal to a percentage of your contribution. To contribute to a traditional IRA, you must be under age 70½ at the end of the tax year and have taxable compensation, such as wages, salaries, commissions, tips, bonuses, or net income from self-employment.
Capital Losses	You may be able to deduct capital losses up to the amount of your capital gains plus $3,000 ($1,500 if married filing separately). You may be able to use capital losses that exceed this limit in future years. You CANNOT deduct a loss from a sale or exchange to any person who is related to you.
Student Loan Interest	You may be able to deduct up to $2,500 of the interest you paid on a qualified student loan. The deduction is claimed as an adjustment to income.
Tuition and Fees	You may be able to deduct qualified education expenses for higher education paid during the year for yourself, your spouse or your dependent, **UNLESS**: • your filing status is married filing separately; • another person can claim an exemption for you as a dependent on his or her tax return; • your modified adjusted gross income (MAGI) is more than $80,000 ($160,000 if filing a joint return);

Tuition and Fees (continued)	• you were a nonresident alien for any part of the year and did not elect to be treated as a resident alien for tax purposes; or • an education credit is claimed for expenses of the student for whom the qualified education expenses were paid. The tuition and fees deduction can reduce the amount of your income subject to tax by up to $4,000
Work-Related Educational Expenses	Your work-related educational expenses must be for education that: • maintains or improves your job skills; OR • is required by your employer or by law to keep your salary, status or job. The education cannot • be part of a program that will qualify you for a new trade or business; or • be needed to meet the minimal educational requirements of your trade or business.
Teacher's Educational Expenses	An eligible educator can deduct above the line up to $250 of any unreimbursed business **expenses** for classroom materials, such as books, supplies, computers including related software and services or other equipment that the eligible educator uses in the classroom
Medical and Dental Expenses	Beginning January 1, 2013, you may deduct only the amount by which your total qualified medical expenses exceed 10 percent of your adjusted gross income (AGI), or 7.5 percent, if you or your spouse is 65 or older.
Health Savings Account (HSA)	A health savings account is a tax-exempt trust or custodial account you set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. You must be an eligible individual to qualify for an HSA.
Standard Deduction	The **standard deduction** is a dollar amount that reduces the amount of income on which you are taxed and varies according to your filing status; there is also an additional **standard deduction** for individuals who are blind or age 65

Standard Deduction (continued)	or over. You CANNOT take the **standard deduction** if you itemize **deductions.** The standard deduction for single taxpayers and married couples filing separately is $6,350 in 2017, up from $6,300 in 2016; for married couples filing jointly, the standard deduction is **$12,700**, up $100 from the prior year; and for heads of households, the standard deduction is **$9,350** for 2017, up from **$9,300**.
Deductible Taxes	You may be able to deduct four kinds of non-business taxes if you itemize deductions using Form 1040, Schedule A, *Itemized Deductions*(PDF): • state, local and foreign income taxes; • state, local and foreign real estate taxes; • state and local personal property taxes; and • state and local general sales taxes. You CANNOT deduct BOTH general sales taxes and income taxes but must choose one or the other. You CANNOT deduct: • federal income taxes; • Social Security taxes; • transfer taxes on the sale of property; • homeowner's association fees; • estate and inheritance taxes; • service charges for water, sewer, or trash collection; or foreign income taxes if a foreign tax credit is claimed to any extent for the year.
Property Tax	Deductible personal property taxes are those based on the value of personal property, such as a boat or car. The tax must be charged to you on a yearly basis, even if it is collected more than once a year or less than once a year.
Real Estate Tax	You may be able to deduct the annual tax that most state and local governments charge on the value of real property.
Sales Tax	When using Form 1040, Schedule A, *Itemized Deductions* (PDF), you can elect to deduct state

Sales Tax (continued)	and local general sales tax **instead** of state and local income tax. Deducting sales tax instead of income tax might be useful, if you live in a state without income tax or if you make a big-ticket purchase, such as a motor vehicle, before the end of the tax year. **Note**: Certain publications have mistakenly referred to this sales tax deduction option as a "consumer rebate for 2015." There is no separate cash or consumer rebate.
Charitable Contributions	Charitable contributions to qualified organizations may be deductible if you itemize deductions on Form 1040, Schedule A, *Itemized Deductions* (PDF). To see if the organization you have contributed to qualifies as a charitable organization for income tax deductions, use Exempt Organizations Select Check.
Gambling Loss	You may be able to deduct gambling losses if you itemize deductions. You CANNOT deduct more than the amount of gambling income you report on your return.
Miscellaneous Expenses	You are limited to deducting the portion of expenses that qualify as miscellaneous itemized deductions, such as unreimbursed employee expenses, tax preparation fees and other expenses, to the extent they exceed 2 percent of your adjusted gross income. You can find these expenses on lines 21, 22 and 23 of Form 1040, Schedule A, *Itemized Deductions* (PDF).
Interest Expense	You can deduct interest you paid on a debt, such as for a mortgage or student loan. You CANNOT deduct: • interest paid on a loan to purchase a car for personal use; • interest on a credit card; or • installment interest incurred for personal expenses.
Home Mortgage Interest	You may be able to deduct home mortgage interest, points and mortgage insurance premiums, using Form 1040, Schedule A, *Itemized Deductions* (PDF). Points are

Home Mortgage Interest (continued)	charges paid by a borrower to obtain a home mortgage. You can deduct either the full amount of points in the year paid or over the life (term) of the mortgage.
Union/Club Expenses	You may be able to deduct union dues, dues to professional societies and to a chamber of commerce, if membership helps you do your job.
Moving Expenses	You may be able to deduct certain expenses for moving to a new home because you changed job locations or started a new job
Alimony Paid	You can deduct alimony paid to or for a spouse or former spouse under a divorce or separation decree, regardless of whether you itemize deductions. **Voluntary payments made outside a divorce or separation decree are not deductible.** If you do not enter your spouse's Social Security number (SSN) or individual taxpayer identification number (ITIN) on Form 1040, *U.S. Individual Income Tax Return* (PDF), your deduction may be disallowed
Casualty, Disaster and Theft Losses	You may be able to deduct most uncompensated casualty and theft losses relating to your home, household items and vehicles. The loss must be reduced by any salvage value and by any insurance or other reimbursement you receive or expect to receive.

Full details of each credit/deduction are available at https://www.irs.gov/credits-deductions/individuals.