# Lesson Plan

## Itemized Deductions

Time Required: 45 minutes

| Introduction | Objectives | Topics |
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| This lesson covers itemized deductions, including which expenses taxpayers can include in their itemized deductions. The lesson also explains how to calculate taxable income. | Determine if a taxpayer should itemize deductions.<br><br>Determine the type of expenses that qualify as itemized deductions.<br><br>Accurately report itemized deductions on Schedule A. | <br>Itemized Deductions<br>Medical and Dental Expenses<br>Taxes that May be Deductible<br>Interest Paid<br>Gifts to Charity<br>Miscellaneous Deductions |

## Key Terms

**Adjusted Gross Income (AGI):** The taxpayer's total adjusted gross income (AGI) is the amount used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

**Itemized Deductions:** Itemized deductions allow taxpayers to reduce their taxable income based on specific personal expenses. If the total itemized deductions are greater than the standard deduction, it will result in a lower taxable income and lower tax.

**Standard Deduction:** An amount provided by law and based on filing status, age, blindness, and dependency that taxpayers can deduct from their adjusted gross income before tax is determined.

# Teacher Tips

## Guidelines for Lesson

| Guideline | Instructor Notes | Presentation Aids |
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| Lesson background info | **Review** the online demo of TaxSlayer on Income. | **TaxSlayer® Demo:**<br>From the Practice Lab, select:<br>• TaxSlayer IRS training<br>• Click the appropriate demo |
| Provide details and engage the students | **Discuss** all tips and cautions in detail.<br><br>**Ask** students to read and/or role-play examples and sample interviews.<br><br>**Review** answers to each exercise; ask students how they arrived at their answers. | **Visuals:**<br>Pub 4491, Itemized Deductions |

## Topic-specific Tips

| Topic Name | Instructor Notes | Presentation Aids |
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| Introduction | **Review** lesson objectives.<br><br>**Review** list of references.<br><br>**State** the presentation time. | **Visuals:**<br>Form 13614-C, Section A<br><br>Form 1040, Tax and Credits section<br><br>Schedule A<br><br>Pub 4012, Tab F, Deductions |
| Itemized Deductions | **Point out** that generally taxpayers should itemize their deductions if their total allowable deductions are higher than the standard deduction amount.<br><br>**Refer** to Pub 4012 and go over the steps for persons not eligible for the standard deduction.<br><br>**Ask:** Who would likely benefit from itemizing their deductions?<br>**Answer:** Taxpayers who have mortgage interest or a very large amount of unreimbursed medical/dental expenses compared to their income. | **Visuals:**<br>Pub 4012, Tab F, Deductions:<br>• Persons Not Eligible for the Standard Deduction Interview Tips<br>• Interview Tips – Itemized Deductions<br>• Schedule A - Itemized Deductions<br>**Internet:**<br>Link & Learn Taxes (L&LT) Itemized Deductions, Who Should Itemize? |

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| | **Remind** students that casualty and theft losses are out of scope for VITA/TCE.<br><br>**Refer** to Pub 4012 Interview Tips and step through the questions in order to determine if a taxpayer should itemize.<br><br>**Review** the Tax Map. | |
| Medical and Dental Expenses | **Refer** students to Pub 502, Medical and Dental Expenses showing deductible and nondeductible expenses. Refer to Pub 4012 for the applicable percentage for the tax year.<br><br>**Remind** students that qualified expenses do not include life insurance premiums, vitamins, or reimbursed hospital expenses.<br><br>**Step through** Pub 4012, Interview Tips about medical expenses.<br><br>**Ask** students to read examples in Pub 502, Medical and Dental Expenses, Whose Medical Expenses Can You Include?<br><br>**Review** the Tax Topics.<br><br>**Demonstrate** TaxSlayer, Schedule A for Medical and Dental Expenses. Show students how the form walks through the computation. | **Visuals:**<br>Pub 502, Medical and Dental Expenses<br><br>Pub 4012, Tab F, Deductions:<br>• Interview Tips – Itemized Deductions<br>• Schedule A – Itemized Deductions<br><br>Schedule A, lines 1-4<br><br>**Internet:**<br>L&LT Itemized Deductions, Medical and Dental Expenses<br><br>Tax Topics: Medical and Dental Expenses<br><br>**TaxSlayer Demo:**<br>Click on Form 1040 View>Medical and Dental Expenses or click on Deductions from Federal Section>Itemized Deductions> Medical and Dental Expenses. |

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| Taxes that May be Deductible | **Refer** students to Pub 17, Taxes Paid chapter, table Which Taxes can You Deduct?<br><br>**Ask**: Are state sales tax or and state and local taxes deductible?<br>**Answer:** Taxpayers may deduct either sales tax or state and local income tax, but not both.<br><br>**Point out** Deduction of state and local income, sales, and property taxes is a combined, total deduction of $10,000 ($5,000 if married filing separately).<br><br>**Point out** that foreign income taxes may be claimed either as an itemized deduction or as a nonrefundable credit. Refer to the Foreign Tax Credit article on IRS.gov.<br><br>**Review** the Tax Topics and FAQ.<br><br>**Review** Pub 4012, Schedule A – Itemized Deductions, Taxes you Paid.<br><br>**Demonstrate** TaxSlayer, Schedule A for Taxes You Paid. | **Visual:**<br>Pub 17, Taxes Paid chapter, Which Taxes Can You Deduct?<br><br>Pub 4012, Tab F, Deductions:<br>• Interview Tips – Itemized Deductions<br>• Schedule A – Itemized Deductions<br><br>Schedule A<br><br>**Internet:**<br>L&LT Itemized Deductions, Taxes that May be Deductible<br><br>Foreign Tax Credit - Choosing To Take Credit or Deduction<br><br>Tax Topics: Deductible Taxes<br><br>At a Glance: Home Mortgage Interest<br><br>**TaxSlayer Demo:**<br>Click on Add Sales Tax Worksheet from Schedule A Taxes You Paid. |
| Interest Paid | **Refer** students to Pub 936, Home Mortgage Interest Deduction:<br>• Figure A – Is My Home Mortgage Interest Fully Deductible?<br>• Figure B – Are My Points Fully Deductible This Year?<br><br>**Point out** the deduction for home equity mortgage interest is not allowed unless it was used to build, buy, or improve the taxpayer's qualified residence.<br><br>**Review** what types of interest are not deductible.<br><br>**Remind** students that refinance points and personal interest are not deductible. Points from refinancing | **Visuals:**<br>Form 1098<br><br>Pub 936, Home Mortgage Interest Deduction<br><br>Pub 4012, Tab F, Deductions, Interview Tips – Itemized Deductions<br><br>Schedule A<br><br>Pub 4012, Tab F, Deductions, Schedule A – Itemized Deductions<br><br>**Internet:**<br>L&LT Itemized Deductions, Interest Paid<br><br>Tax Topics: Interest Expense<br><br>Tax Topics: Home Mortgage Points |

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| | must be spread over life of loan, unless used to remodel.<br><br>**Review** the Tax Topics.<br><br>**Review** Pub 4012, Schedule A – Itemized Deductions.<br><br>**Demonstrate** TaxSlayer, Schedule A for Interest You Paid | **TaxSlayer Demo:**<br>Click Begin on the Mortgage Interest and Expenses line from the Itemized Deductions page. |
| Gifts to Charity | **Refer** students to Pub 526, Charitable Contributions.<br><br>**Prompt** students for examples of:<br>• Gifts to charity that are deductible<br>• Gifts to charity that are not deductible<br><br>**Remind** students to ask taxpayers about noncash contributions.<br><br>**Review** the Tax Topic and FAQ.<br><br>**Review** Pub 4012, Schedule A – Itemized Deductions.<br><br>**Point out** that noncash contributions over $500 are out of scope and taxpayers should be referred to a professional tax preparer.<br><br>**Demonstrate** TaxSlayer, Schedule A for Gifts to Charity. | **Visuals:**<br>Pub 526, Charitable Contributions<br><br>Schedule A<br><br>Pub 4012, Tab F, Deductions, Schedule A – Itemized Deductions<br><br>**Internet:**<br>L&LT Itemized Deductions, Gifts to Charity<br><br>Search for Charities<br><br>Tax Topics: Charitable Contributions<br><br>At a Glance: Charitable Deductions<br><br>**TaxSlayer Demo:**<br>Click Begin on the Gifts to charity line from the Itemized Deductions Page |
| Casualty and Theft Losses | **Point out** only casualty losses derived from federally declared disaster areas are allowed after 2017. All other losses are not allowed except to the extent of casualty gains. | **Visuals:**<br>Pub 4012, Tab F**,** Deductions |

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| Miscellaneous Deductions | **Review** Miscellaneous Deductions topic.<br><br>**Ask** which itemized deductions are subject to 2% limit. **Answer:** All itemized deductions subject to the 2% of AGI limitation are not allowed through the end of 2026. This includes employee business expenses.<br><br>**Caution** students that gambling losses in excess of winnings are not deductible.<br><br>**Discuss** what types of miscellaneous expenses are deductible.<br><br>**Refer** students to Pub 17, Miscellaneous Deductions chapter.<br><br>**Review** Pub 4012, Schedule A – Itemized Deductions.<br><br>**Demonstrate** TaxSlayer, Schedule A for Miscellaneous Deductions. | **Visuals:**<br>Pub 17, Miscellaneous Deductions chapter<br><br>Schedule A<br><br>Pub 4012, Tab F, Deductions, Schedule A – Itemized Deductions<br><br>**Internet:**<br>L&LT Itemized Deductions, Miscellaneous Deductions<br><br>Tax Topics: Miscellaneous Expenses<br><br>**TaxSlayer Demo:**<br>Click on Begin on the Miscellaneous Deduction line from the Itemized Deductions page. |
| Skills Workout | **Review** the Skills workout exercises with the class.<br><br>**Review** what is out of scope for the VITA/TCE program. | **Visuals:**<br>Link & Learn Taxes Skills workout click the Certification Warm Up icon to review the exercises |

| References | |
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| Form 13614-C | Form 13614-C, Intake/Interview & Quality Review Sheet, Page 2 |
| Form 1040 | Form 1040, Tax and Credits section |
| Schedule A (Form 1040) | Schedule A, Itemized Deductions |
| Pub 4012, Volunteer Resource Guide | Pub 4012, Volunteer Resource Guide, Tab F, Deductions<br>Interview Tips – Itemized Deductions<br>Schedule A – Itemized Deductions |
| Pub 17 | Pub 17, Part Five, Standard Deduction and Itemized Deductions |
| **Optional** | |
| Pub 502 | Pub 502, Medical and Dental Expenses |
| Pub 526 | Pub 526, Charitable Contributions |
| Pub 529 | Pub 529, Miscellaneous Deductions |
| Pub 530 | Pub 530, Tax Information for Homeowners |
| Pub 936 | Pub 936, Home Interest Deduction |

## Recommended Classroom Activities




### Skills Workout: Link & Learn Taxes Itemized Deductions

Click Skills Workout to access Link & Learn Taxes Itemized Deductions.

### Certification Warm Up – Summary and Exercises

Click Certification Warm Up to access the Summary and Exercises in Link & Learn Taxes Itemized Deductions.

### Media: Video & Audio for Lesson

There is no media associated with this lesson.

## TaxSlayer Tips and Resources for Lesson

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| TaxSlayer Training Video | Entering Standard and Itemized Deductions |
| Practice Lab Tutorial | From the Practice Lab:<br>1. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).<br>2. Sign in to Practice Lab or create an account.<br>3. Select the appropriate tutorial. |

## Job Aids

### ITA and FAQs for Lesson

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| Tax Topics | Itemized Deductions (All Topics)<br>https://www.irs.gov/taxtopics/tc500.html<br>Medical and Dental Expenses<br>https://www.irs.gov/taxtopics/tc502 |
| At a Glance | Charitable Deductions<br>https://www.irs.gov/credits-deductions/individuals/deducting-charitable-contributions-at-a-glance<br>Home Mortgage Interest<br>https://www.irs.gov/credits-deductions/individuals/deducting-home-mortgage-interest-at-a-glance |
| Other | Foreign Tax Credit – Choosing To Take Credit or Deduction<br>https://www.irs.gov/individuals/international-taxpayers/foreign-tax-credit-choosing-to-take-credit-or-deduction<br>Search for Charities<br>https://www.irs.gov/charities-non-profits/exempt-organizations-select-check |

## Practice Lab

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| Practice Lab | https://vita.taxslayerpro.com/IRSTraining/ |