Standard Deduction Doubles, Itemize Every Other Year?
By Ben Kaup

As we have mentioned in previous tax tips, the standard deduction has doubled for 2018. Going from $12,700 for Married Filing Jointly and $6,350 for Singles up to $24,000 and $12,000 respectively. This is great news for our clients who have utilized the standard deduction in the past. But where does it leave those who have itemized? This is a question I have answered many times already in 2018. "Since the standard deduction went up I do not need to keep track of those expenses, anymore right?" My answer continues to be "it depends." If you have itemized in the past and do not foresee yourself having enough deductions to surpass the new threshold, what can you do?

One strategy is to "bunch" your itemized deductions so that you itemize one year and take the standard deduction the next. For example, if you donate to charitable organizations you may still give the same amount over a two-year period, but "bunch" your giving into one calendar year. You could also utilize this strategy on your real estate taxes by paying "on time" one year and paying ahead for the next year within the same calendar year. You need to keep in mind that the SALT deductions (State and Local taxes) which includes Real Estate, Personal Property, and State Income tax is limited to $10,000 per year. Medical deductions will be harder to plan for, but if you receive medical bills towards the end of the year in which you are using the standard deduction, it would make sense to pay that in the next calendar year.

The "Every Other Year" strategy seems to be the best outcome for those who have itemized in the past and still want to take advantage some of their personal tax-deductible expenses.

Thanks,

Ben Kaup
Tax Specialist

Please refer to our website – www.kaupsfinancial.com – to access all our past weekly tax tips and if you know of anyone that you think would want to receive them they can sign up under the Tax Tips section of our website.