

Coach's Corner

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To Itemize or Standardize? Help Clients Choose the Right Deduction

By: Holly Swan | December 28, 2023

Year-end is a great time for your clients to look at how their itemized versus standard deductions compare and determine if there are any changes they could make to optimize their tax outcomes.

To start the conversation, ask clients: **"Have you taken a look at how your itemized deductions for the year compare to the standard deductions?"**

For 2023, the standard deductions are:

- \$13,850 for single filers and those married filing separately
- \$27,700 for those married filing jointly
- \$20,800 for heads of household

Clients whose itemized deductions exceed these amounts would typically choose to itemize. However, clients who are close to and don't exceed the standard deduction may choose to accelerate payments into the current tax year or defer payments until the following year. The choice often depends on how they think their taxable income will fluctuate from one year to the next.

Let's take a closer look at the three most common forms of itemized deductions:

State and Local Taxes

State and local taxes, including income tax, sales tax, property tax and personal property tax, can be deducted up to \$10,000 per year for all filing statuses.

Home Mortgage Interest

Interest paid on the first \$750,000 of a mortgage can be deducted. This limit applies to all filing statuses.

Charitable Donations

Amounts given to charity can be deducted subject to certain limits. Charitable contributions can generally be deducted up to 60% of adjusted gross income (AGI). In some cases, 20%, 30% or 50% limits may apply.

Clients who are near the threshold for itemizing their deductions may benefit from accelerating deductions into the current tax year. This is most frequently done through the [bunching of charitable giving](#) or making certain tax payments in advance of their due date.

One word of warning: beware the alternative tax minimum (AMT). Involve your clients' CPAs in these conversations since clients who are

subject to AMT may not receive the benefits of all their itemized deductions.

Bottom Line: Now is a great opportunity to bring value to your clients at year-end by evaluating whether they should pursue itemized or standard deductions for their 2023 tax returns.

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