Don’t Miss These 10 Frequently Overlooked Tax Deductions

*Job expenses, medical expenses among commonly missed tax breaks*

Frequently overlooked tax deductions cost taxpayers a chance to reduce their taxable income and may result in overpayment to the IRS by hundreds or thousands of dollars. Especially in this rough economy, individuals should be careful not to miss these 10 frequently overlooked tax deductions:

1. **Medical expenses** – Medical expenses not reimbursed by insurance or paid through a tax-advantaged plan like a flexible spending account are deductible after they exceed 7.5 percent of adjusted gross income.

2. **State and local taxes** – Personal property taxes, real estate taxes, and state and local income taxes are deductible. For state and local taxes, taxpayers are permitted to deduct either their sales taxes or their income taxes, but not both.

3. **Charitable donations** – Donated clothing and household items in condition good enough to be re-sold at a thrift store are likely eligible deductions. Get a receipt for charitable donations of cash and goods, or make donations by check or credit card and have the financial records serve as proof.

4. **Job expenses** – Unreimbursed job-search expenses, uniform expenses, union dues and continuing education expenses may be eligible deductions. Only employees' business expenses, plus other miscellaneous itemized deductions in excess of 2 percent of adjusted gross income, are deductible.

5. **Higher education expenses** – Up to $2,500 of student loan interest paid may be deducted for 2009. Interest income earned on savings bonds may not be taxed when the proceeds are used to pay higher education expenses. A deduction also is available for up to $4,000 of higher education tuition and fees paid for the taxpayer, or their spouse or dependent.

6. **Moving expenses** – The expenses of moving to a new job location that would otherwise have resulted in a commute more than 50 miles more
than the previous commute are eligible deductions if time requirements are met. The move must have occurred within one year before or after starting a new job, and taxpayers must remain at the new residence at least 39 weeks.

7. **Military expenses** – Reservists can deduct unreimbursed travel expenses for reporting to National Guard or military reserve duty at least 100 miles from home.

8. **Educator expenses** – Primary- and secondary-school teachers can deduct up to $250 of unreimbursed classroom expenses.

9. **Self-employed expenses** – Small-business owners can get an above-the-line deduction for half their self-employment taxes, all their self-employed health insurance premiums and contributions to self-employed retirement plans.

10. **Investment losses** – Be sure to correctly determine the total cost of assets sold, including the cost to buy the security and reinvested dividends. Capital losses offset capital gains and up to $3,000 of a net capital loss can offset other income. Unused losses are carried over to future returns until used.

Taxpayers should keep all receipts, correspondence and paperwork validating deductions.

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