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Car registration fees tax deductible

car image of Goran Bogicevic from Fotolia.com Most states charge sales tax and title fees when buying a used car. But some dealers will try to squeeze out extra profits by fiddling with extra fees once you've finished negotiating the price of the car and you've let down your guard. To accurately calculate the sales tax, you need to know how your state taxes the value of your trade-in and dealer incentives as well as the sale price of your car. Determine the final selling price of your car. Find out if your state taxes negotiate incentives or not. For example, if your state taxes them and your new car's price has fallen by $1,000 because of a manufacturer's discount, you must pay sales tax of that $1,000, even if it wasn't part of the sale price. So if you paid $23,000 after discounts, you would have to pay vat of $24,000. Check if your state offers a tax break for the value of your trade. If your state offers this tax credit, you only pay VAT on the difference between the price of the new car and the value of the old car. For example, if you shop in a $6,000 car to buy a $24,000 car, and your state offers that tax credit, you would only pay sales tax of $18,000, not $24,000. Find out what state, local, and county tax rates are for your area (see Resources). Increase the VAT rate with your taxable purchase price. For example, if the total state, county and local taxes were 8 percent, and the total taxable cost for your car was $18,000, your sales tax would be $1,440. Contact your state's Motor Vehicles Division (DMV) to determine how much it will cost to transfer the title of the vehicle and obtain license plates. These prices vary from state to state, but are set in the state, regardless of the price of the used car. When it comes to federal taxes, there are three education deductions: student loan deductions, deductions on qualified higher education, and excluded income on employer education assistance. For the student loan deduction, if you meet the requirements, you can deduct up to $2,500 in interest per tax return, not person [source: The College Board]. The loan must be for higher education costs, such as tuition and fees, supplies and lodging. The student must be enrolled at least half the time in a program that meets the U.S. Department of Education's guidelines and leads to a degree, certificate or credit. Note the following: Ad duration - Interest can be deducted annually as long as the loan is for training and not deducted in any other way. Filing status and income - Your application status must be married filing jointly, head of the household, a single or qualifying widow or widower - not married, filing separately. The amount of deduction depends on adjusted adjusted gross income, which must be less than on single returns and less than $145,000 on common returns [source: [source: receives - If the student is a dependent, the parent takes deductions; if the student is not dependent, he or she will take the deduction. Next up is deductions for up to $4,000 on higher education costs, such as tuition and fees, but not room and board. To qualify, your adjusted adjusted gross income must be at or less than $65,000 on individual returns or $130,000 on common returns. However, if your modified adjusted gross income is at or less than the $80,000 single/$160,000 joint, you can still qualify for a maximum $2,000 deduction [source: U.S. funds]. Keep in mind that you can't claim this deduction for the same student in a single calendar year if you're already taking one of the credits described on the previous page. Parents can qualify for this deduction if their student child is listed as one dependent on their tax returns. Finally, you can potentially exclude up to $5,250 annually in assistance your employer provides for higher education costs, such as tuition, fees and supplies [source: U.S. funds]. When your employer calculates your final compensation for the year for tax purposes, it will not include this amount and you do not need to claim it as income. This tax-free money cannot be used in combination with other education deductions or credits. You can be all set with your taxes, but you can also save money on your college debt by investing in the future. Click on to the next section to learn more. Are you looking for a way to reduce your taxable income? For many, the easiest way to claim popular tax credits is to immediately reduce your taxable income. Recent changes to the tax code mean fewer people will benefit from specific deductions. But there are plenty of tax credits you might still want to claim. Some of the most common tax credits include student loan interest, retirement plan contributions and home mortgage interest. But these aren't the only tax credits you may be entitled to. Whether you're filing your taxes online or using an accountant, it's always a good idea to see what deductions are possible. That way, you can make sure you don't accidentally overlook anyone. What are tax credits? Tax credits reduce your taxable income. The standard tax credit is a flat amount that anyone can take, but only if you don't specify your deductions. Thanks to the new tax code, the standard deductions have increased. For single taxpayers, it's $12,000, and for married filers, it's $24,000. This is the amount you can deduct from your gross income. Then you can claim some other deductions (#1 #7 below) to further reduce your taxable income. Please note that you cannot claim the other deductions unless you specify and you eligible for the standard deduction if you specify. Tax credit changes for the 2019 Tax Cut and Jobs Act of 2017 suspended or eliminated some deductions you used to be able to including removal and job search expenses. Fewer people than before will find it makes sense to itemize tax credits because the standard deduction is now $12,000 for single filers and $24,000 for those who are married and filing joint tax returns. Although there is less incentive to itemize tax credits like charitable donations or state and local taxes, there are several deductions you can claim without filing a specified return. Common tax deductions you don't need to itemize to claim these popular tax credits. Keep in mind that certain deductions have income restrictions. It is possible that you only qualify for a partial deduction if you earn a high income. 1. Student Loan Interest You can deduct up to $2,500 in paid student loan interest each year per tax return. This means that individual filers can deduct $2,500. Married filers can only deduct $2,500 (not $5,000), even when both spouses have student loan payments. Your student loan lenders will give you form 1098-E showing the interest amount you paid. The IRS reduces the amount of interest you can deduct when your modified adjusted gross income (MAGI) exceeds $65,000 for single filers and $135,000 for married filers. 2. Traditional IRA and 401k Contributions Traditional IRA and 401k contributions reduce your taxable income for the current tax year. As a trade-off, you will pay tax on the entire amount you withdraw in the future. Note that if you contribute to your 401k at work, you have already contributed from your pre-tax income, so there is nothing to note on your tax return. Roth IRA and Roth 401k contributions are not deductible because you fund them with your after tax income. IRA Contribution Limits Tax Year 2018: $5,500 ($6,500 if age 50 or older). Tax year 2019: $6,000 ($7,000 if age 50 or older). Each taxpayer can contribute up to the above contribution limits. So if you're married, each spouse can contribute $6,000 for the fiscal year 2019, and you can deduct $12,000 from your combined taxable income. 401k Contribution Limits Tax Year 2018: $18,500 ($24,500, if age 50 or older)Tax year 2019: $19,000 ($25,000 if age 50 or older) As a traditional IRA, your tax-exposed 401k contributions reduce your taxable income for the current tax year, but you must pay tax when you make a withdrawal. As we said, there's nothing to note on your tax return when it comes to 401k contributions, but it's good to understand contribution limits so you can reduce your income tax this year. 3. FSA and HSA Contributions If your employer offers health insurance, you can qualify for this tax credit. Flexible spending schemes (FSA) and Health Savings Accounts (HSA) allow you to save money on your taxes while saving up for medical expenses. Like a 401k, your FSA is the employer so you will contribute pre-tax income from your paycheck and there is nothing to on your tax return. For an HSA, prepare form 8889 with your tax return to deduct your HSA contributions. There are many similarities between a FSA and the HSA, but the annual contribution limits (i.e. your tax credit) are different. Read the savings plan rules before you max out this deduction. It is not uncommon for a portion of your unused contributions to an FSA to expire at the end of the year. Your plan may allow you to roll up to $500 of your unused balance in the next calendar year. Flexible spending arrangements Tax year 2018: $2,650.Tax year 2019: $2,700. FSAs are linked to individual taxpayers as an IRA or 401k. This means that joint filers can each have an FSA and each enjoy the tax savings. Health Savings Accounts Tax Year 2018: $3,450 for single filers ($6,900 for families). Tax year 2019: $3,500 for single filers ($7,000 for families). Contributors at least 55 years or older can make an annual $1,000 catch-up contribution. If you have a high-deductible health plan, your employer can offer an HSA instead of a FSA. This may work in your favour because of the higher contribution limits. 4. Investment loss No one wants to sell investments for a loss. But sometimes selling for a loss can help you on tax time. Selling your losers first outweighs any taxable capital gains you earn by selling profitable investments. You can then deduct up to $3,000 in annual investment losses in addition to your capital gains with the deduction for capital losses. You can manually decide which investments to sell for a loss. But even if you use a robo-adviser to manage your portfolio, you may be able to sell for a loss. Some robo-advisers, such as Betterment, use a strategy called tax loss harvesting to minimize your potential capital gains taxes while maintaining a balanced portfolio. 5. Educator Expenses If you teach students between grades kindergarten and 12, you can deduct up to $250 in non-refundable delivery, education and equipment purchases each year. If both spouses teach, you can deduct up to $500 annually. The following calls qualify for educator expense deduction: TeacherInstructorCounselorPrincipalAide 6. Self-employed expenses If you have a side hustle or are self-employed, you can deduct many business-related expenses, including: Materials and suppliesDigital servicesBusiness mileageLicenses and permitsTraining coursesUnder contractors Like a rideshare driver for Uber or Lyft, you can deduct the miles you drive, plus parking and tolls, to name a few possible deductible expenses. If you use only part of your house for business purposes, you may also be able to deduct the square footage of your home office. If neither you nor you spouse has employer health insurance, you can also deduct your monthly health insurance premiums. 7. Rental Property Expenses A Growing Trend To Earn Extra Extra is to own rental property or become an Airbnb host. Whether you're renting a spare bedroom or an entire house, it's possible to deduct business-related property costs. Some rental property tax credits include: Mortgage interestOn-property services like internet and cable TVC cleaning fees and maintenance costs Keep an ongoing log of your rental property expenses to save time calculating your deduction. Specified tax credits Itemizing your expenses for deductions below only makes sense if, when counted, they exceed the standard deduction amount. That means single filers needing at least $12,000 in eligible deductions and married couples filing a joint return should have at least $24,000 in eligible deductions. For example, a single file with at least $12,000 in charitable contributions and state and local taxes should be itemized. Every dollar above the standard deduction further reduces your taxable income. But remember that you can deduct expenses like student loan interest and side congestion costs without filing a specified return. 1. Charitable contributions Cash donations to tax-exempt organizations are probably the easiest way to make charitable contributions. You can also donate physical items like clothes, used cars or canned food. Be sure to receive a written receipt for each contribution, or get a year-end donation summary. It's also possible to deduct charitable mileage and other out-of-pocket expenses you may encounter. Their ItsDeductible tool lets you track your donations in real time throughout the year. 2. State and local taxes As of fiscal year 2018, you can only deduct up to $10,000 in state and local taxes (SALT). In previous tax years, the SALT deduction was unlimited. You can deduct these state and local taxes on your itemized federal income tax: Income Tax Fees When married taxpayers file separate returns, each file can deduct up to $5,000. Home Mortgage Interest Housing mortgage interest deduction still exists, but is only $750,000 for mortgage origin after December 16, 2017. If your mortgage originates before that date, you can deduct up to $1 million in paid home mortgage interest. Your mortgage lender will send you a form 1098 each year stating the amount of interest you paid. 4. Medical and Dental Medical Expenses are a leading cause of financial problems. Itemizers may be able to get some relief with deductions for non-refundable medical and dental expenses. On your 2018 tax return (due April 15, 2019), you can deduct medical and dental expenses that exceed 7.5% of your adjusted gross income. Starting in fiscal 2019, you can only deduct medical expenses in more than 10% of your adjusted gross income. Although the all persons with medical bills will qualify for this deduction, almost any or dental expense is justified, including: Fees to doctors, surgeons, chiropractors, and psychiatrists. Hospital or nursing home care. Alcohol or substance abuse treatment. Insulin and prescription drugs. Medical supplies, including false teeth, glasses, crutches and wheelchairs. Please refer to IRS Issue Number 502 for a detailed list of eligible expenses. 5. Loss for accidents and theftS If you have experienced any property damage, loss or theft from a federally declared disaster, you can specify your non-refundable losses. Before you claim this tax deduction, you must file a claim with your homeowners insurance policy. Any insurance refund reduces your deductible. According to the IRS, for personal property losses, you can deduct the smallest of the adjusted basis of your property or the declining fair value resulting from the disaster. Claim Tax Credits So How Can You Claim Tax Credits? Online tax prep programs make it easy to claim the most popular. When you review the application process, you will answer various questions that determine whether you are eligible for deductions. Most filers will be able to file their own taxes without overlooking a deduction. For example, your tax preparation program might ask questions like: Did you donate to charity in 2018? or Did you have student loan payments in 2018? You can decide to hire an accountant if you have a complex tax situation and are inexperienced with the tax code. Two examples include navigating self-employment deductions or deducting losses in the case of accidents and theft. An accountant can cost more, but can help you submit an accurate return while saving you time. If you decide to file your own tax return, you can use one of these programs to file an accurate tax return at the lowest price. Credit Karma Tax Credit Karma Tax tax lets you file the most complex tax returns for free. Other programs can charge up to $160 when you report investment income, self-income or itemized deductions. With the Credit Karma Tax, you can file that exact same federal and state returns for free. As a bonus you get free audit support and access to live chat support and knowledge base articles to help answer your tax questions. H&R Block You can submit a basic federal and government return for free on H&R Block if you do not need to specify or report investment income or self-income. It is also possible to file for free when you have student loan interest and tax credits like childcare to report. You can choose to use H&R Block because the platform may be more user-friendly than a credit karma tax service. For an additional fee, Block's Tax Pro Review lets a tax professional review your errors and potential tax deductions before you file. Related Post: H&R Block Online Review TurboTax TurboTax is one of the most popular tax prep prep because it is so easy to use. It is possible to file a free federal and state return, but you will have to pay if you have joint tax credits as student loan interest. It is possible to track your deductions in real time online or using the TurboTax app. This convenience may be worth the higher fee if you specify. Summary tax deductions are an easy way to reduce your taxable income. Depending on the deduction, you may receive a tax form, such as a Form 1098-E from your student loan lender, in January stating your deductible expenses. For other deductions such as auto mileage or web hosting fees that you have incurred from your self-employment, you must keep a running log throughout the year.   What deductions can you claim this year? Share your preferred deduction in the comments. Comments.