

Home mortgage interest

If you took out a mortgage to [purchase a home](#), the interest on that mortgage is deductible as an itemized deduction.

Most people qualify for this deduction because it's allowed on up to the first \$1,000,000 borrowed on a mortgage. This deduction is allowed for two residences per taxpayer.

You can also deduct interest on a [home equity loan](#) as long as that loan is less than \$100,000.

Taxes

If you own a home, you can deduct the real estate taxes that you pay on your home. However, you cannot deduct prepaid taxes. You can only deduct those taxes which are allocated to the year in which you are filing your taxes for.

You can also deduct any state and local taxes (sometimes referred to as city tax) that you paid on your income during the year. This is a huge perk of itemizing (because most taxpayers pay state income tax but you can only deduct those taxes if you itemize deductions).

Investment interest expense

When you [start investing](#), you may incur expenses like broker or advisor fees or safe deposit box fees. You can deduct these as itemized deductions.

Just be careful: You can only deduct up to the amount that you earn through your investments. So, if you had a bad year and didn't earn anything, you cannot deduct these expenses. (However, you may be eligible for Capital Loss treatment.)

Medical expenses

[Medical expenses](#) are deductible as itemized deductions, but in a very limited way. You can only deduct the amount of medical expenses that exceed 10 percent of your AGI (7.5 percent if you're over 65).

For example, if your AGI was \$50,000 and you spent \$5,500 in medical expenses during the year, you could only deduct \$500 ($\$50,000 \times 0.1 = \$5,000$).

Some qualifying medical expenses include: Prescriptions, doctor's fees/co-pays, insurance premiums, necessary surgery (not cosmetic), physical handicap costs, and transportation to a medical facility. You can also deduct 24 cents for every mile you drove for medical care.

Charitable contributions

If you were generous during the tax year and [gave money or property to your favorite charity](#), you can deduct these gifts as an itemized deduction. Tithing to your church is included in this deduction.

Contributions to political campaigns or needy families are NOT included in this deduction. (You must donate to a qualified organization to claim the deduction). The deduction is only limited to 50 percent of your AGI for cash donations and 30 percent of your AGI for property donations.

Miscellaneous deductions

There are some miscellaneous deductions that you can claim, but you can only deduct these expenses by the amount that they exceed two percent of your AGI.

These expenses include: Unreimbursed business expenses, qualified educational expenses, expenses for uniforms, tax preparation fees, business use of your home, subscriptions to professional journals, and job-hunting expenses. These are just a few, so consult the IRS Website if you have a question about one of your expenses.

