

Sales Tax Deduction

Taxpayers who itemize deductions will have a choice of claiming a state and local tax deduction for either sales or income taxes on their 2004 and 2005 returns. The optional tables are provided by the IRS to determine the deduction amount, relieving taxpayers of the need to save receipts throughout the year. Sales taxes paid on motor vehicles and boats may be added to the table amount, but only up to the amount paid at the general sales tax rate. Taxpayers will check a box on Schedule A, *Itemized Deductions*, to indicate whether their deduction is for sales or income taxes. "Taxpayers should check these tables to see if they're entitled to a larger sales tax deduction than a state income tax deduction," said Commissioner Everson. While this deduction will mainly benefit taxpayers with a state or local sales tax but no income tax-in Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming-it may give a larger deduction to any taxpayer who paid more in sales taxes than income taxes. For example, a person may have for use on the 2004 returns.

The information herein is compiled utilizing information provided by the IRS. This information is provided for informational purposes and NumbersFigured and its principals assume no liabilities whatsoever for the usage in way, shape or form of the information provided. Please contact your Tax and Accounting professional for your needs and clarification regarding the information.