5 BIG OVERLOOKED TAX DEDUCTIONS

Tax season is upon us and you might be asking what can you still do that can potentially reduce your overall tax liability. Here are 5 big deductions that people often don't ask about or overlook come tax time.

CHARITABLE MILEAGE

Most taxpayers are very good at keeping receipts of their cash donations that they make to the organizations they donate to during the course of the year. One of the deductions few taxpayers pay attention to is the charitable mileage deduction. For 2018, you can deduct .14 cents per mile driven for rendering gratuitous services for charitable organizations. Don't forget fees and tolls as well (www.irs.gov). Consider the amount of time that you give gratuitously during the course of the year for your religious organizations, charitable causes you support, or possibly coaching a one of your kid's teams.

NON-CASH CHARITABLE CONTRIBUTIONS

Most taxpayers literally get a blank receipt from the Salvation Army, Goodwill, or some other charitable organization and then tell their accountants that they donated a bag or two for $50. What a huge mistake!! The reason you have the blank receipt is to itemize everything you give away line by line to maximize the legitimate deduction. You could go to www.satruck.com to see the Salvation Army's list of low and high value per item, but then again you need to really examine the true fair market value of each item. Make sure you have good documentation and receipts. You can also look into something called Donor Advised funds (ask us!) if you want to use cash to maximize charitable contributions!

STUDENT LOAN INTEREST

If you have qualifying student loan debt, you can deduct the interest you paid on the loan during the tax year. This is capped at $2,500 in total interest per return, not per person, each year. In other words, if you're single, you can deduct as much as $2,500 of student loan interest.

CAN YOU DO A TAX-DEDUCTIBLE IRA?

THE BASIC REQUIREMENTS FOR THE IRA TAX DEDUCTION

First of all, to be eligible for the IRA deduction, you must contribute to a traditional IRA. Traditional IRAs are tax-deferred retirement accounts, meaning that your contributions might be tax-deductible now, but your eventual withdrawals will count as taxable income.

Roth IRAs have several advantages, but an immediate tax deduction isn't one of them. Roth IRA contributions do not qualify for the IRA deduction, but qualified withdrawals will be 100% tax-free.

In addition, you need to be eligible to contribute to an IRA at all, which means that you have earned income, which includes wages, salaries, tips, bonuses, etc. In other words, if all of your income comes from investments or from a business you don't have an active role in, it doesn't count for IRA eligibility purposes.

Finally, your contributions must be made in a timely manner. For IRA purposes, this means that you can contribute during the calendar year itself, or during the next calendar year before the tax deadline passes.

USE YOUR SIDE HUSTLE TO BOOST RETIREMENT SAVINGS

If you have self-employment or freelance income, open a solo 401(k). You must open it by December 31, although you have until April 15th to contribute and take a tax deduction for the prior year. You can contribute up to $19,000 ($25,000 if you're 50 or older) to a solo 401(k), minus any contributions you've made to a 9-to-5 employer's 401(k) for the year. You can also contribute up to 20% of your net self-employment income to the plan. Contributions to the solo 401(k) can total $56,000 in 2019 (or $62,000 if 50 or older) but can't exceed your self-employed income for the year. Another option is to open a SEP account, but if you have just a little freelance income, you can contribute more money to a solo 401(k). SEP contributions are limited to 20% of net self-employment income, up to $56,000.