

## Non-Itemizers Get a Real Property Tax Deduction

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New for 2008 and 2009, taxpayers who do not itemize can add to their standard deduction the cost of their real property taxes, not to exceed \$500 (\$1,000 for joint filing taxpayers).

Those who stand to benefit from this provision are taxpayers who pay property taxes but whose itemized deductions are less than the standard deduction. This most frequently will include retired taxpayers who have paid off their home loans and do not have any mortgage interest to deduct. Note that to the extent any real estate taxes are related to business property, such as a home office, and deducted elsewhere on the tax return, they cannot be included in the added standard deduction.

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Take, for example, a retired married couple, both over age 65, who paid \$2,500 in property taxes and have no other significant itemized deductions. Prior to this law change, their 2008 standard deduction would have been \$13,000 (the \$10,900 basic amount for joint filers plus \$2,100 as an additional amount for married couples both over 65). With the added real property tax deduction, the couple's standard deduction is increased by the lesser of their property taxes or \$1,000. Therefore, for 2008, their standard deduction will be \$14,000. Assuming that they are in the 15% tax bracket, this will save them \$150 of federal income tax.

In actual application, some taxpayers who are marginally itemizing their deductions may find it beneficial to take the standard deduction. Please call this office if you have any questions.