Claiming Deductions & Credits

Should you take the standard deduction or itemize your deductions? The decision will come down to the time you have available and the amount of money you hope to save.

When to Itemize: If you add up your itemized deductions and the sum is more than your standard deductions, then itemizing will save you more money.

When to Take the Standard Deduction: If your standard deduction is more than the sum or your itemized deductions, then the standard will save you more money and will be quicker than filling out the forms and providing proof of your itemized deductions. The standard deduction has increased in recent years, so it may be a better option even if you have itemized in the past.

Note: A tax advisor or tax advising software can calculate your tax return both ways to determine whether itemizing or taking the standard deduction will result in a lower tax bill or greater refund.[132]

Common Deductions & Credits You May Qualify For:

1. **American Opportunity Tax Credit**: You can claim the first $2,000 spent on tuition, books, and other school fees + 25% of the next $2,000, for a total of $2,500. Cannot be used for transportation or living expenses.
2. **Student Loan Interest Deduction:** If you paid interest on your student loans, you can deduct up to $2,500 from your taxable income.
3. **Lifetime Learning Credit:** For the first $10,000 you pay towards tuition and fees, you can claim 20%, resulting in a $2,000 maximum credit.
4. **Child Tax Credit:** You could get $2,000- $3,600 per child or $500 for a non-child dependent.
5. **Child and Dependent Care Tax Credit:** You can claim up to 35% of $3,000 in day care and other care-related expenses for children under 13 or other dependents such as a spouse or relative unable to care for themselves. For two or more dependents, you can claim up to 35% of $6,000 of expenses.

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[132] Tina Orem. "Tax Deductions Guide and 20 Popular Breaks in 2021." *Nerd Wallet,* April 12, 2021.
https://www.nerdwallet.com/article/taxes/tax-deductions-tax-breaks