ITEMIZE EVERY OTHER YEAR STRATEGY

WHAT IS THIS STRATEGY?
• Itemize every other year and take Standard Deduction in opposite years

WHO DOES THIS WORK FOR?
• Tax Payers (TP) with recurring itemized deductions such as: Medical Expenses, Sales and Property Taxes, mortgage interest and Contributions
• TPs whose itemized deductions are close to (over or under) their Standard Deduction

HOW DOES STRATEGY WORK?
• Try to double up itemized deductions every other year and then itemize in those years
• Take the standard deductions in opposite years (itemized deductions should be less than the standard deduction in these years)

EXAMPLE IF NOT USING STRATEGY
• Taxpayer (TP) and spouse are under 65 and estimate their 2024 and 2025 Adjusted Gross Income (AGI) to be $100,000
• TP and spouse give $10,000 to charities each year
• Real Estate Taxes are $6,000
• Medical Expenses are $10,000 per year, of which $2,500 is deductible
• Mortgage interest is $7,000
• Total itemized deductions are $25,500. TP will not itemize (Standard Deduction in 2024 is $29,200 and 2025 is assumed to be the same).
• Taxable Income in 2024 is $70,800 ($100,000-$29,200) and in 2025 is $70,800 ($100,000-29,200)
• Total Tax for 2 years is $16,064: $8,032 in 2024 and $8,032 in 2025 when taking Standard deduction each year.

EXAMPLE OF USING ITEMIZE EVERY OTHER YEAR STRATEGY
• Same facts as above, but pay 2024 and 2025 Real Estate Taxes in 2025
• Do not make charitable contribution in 2024 but double up in 2025
• TP will not itemize in 2024 (Standard Deduction in 2024 is $29,200)
• In 2025 Itemized deductions will total $39,500 as follows:
• $10,000 Real Estate Taxes (Limit of $10,000 deduction per year)
• $2,500 Deductible Medical Expenses
• $20,000 Contributions
• $7,000 Mortgage Interest
• Taxable Income in 2025 is $60,500 ($100,000-$39,500)
• Tax for 2025 is $6,796
• Tax for 2024 is $8,032 by using the standard deduction
• Total tax for 2 years is $14,828 ($8,032+$6,796)

SAVINGS BY ITEMIZING EVERY OTHER YEAR
• Tax savings over a 2 year period is $1,236 ($16,064-$14,828)