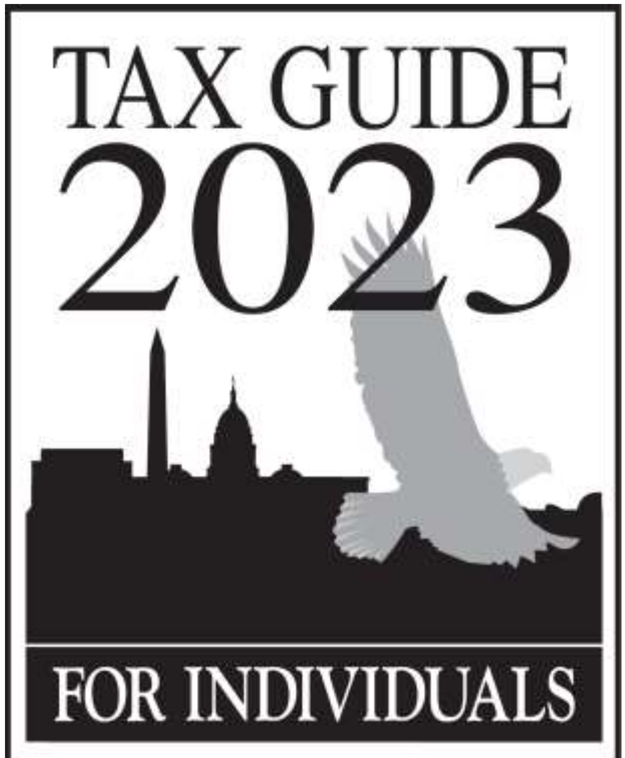
Publication 17

Your Federal Income

For use in preparing

2023 Returns)

Volume 10 of 14



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Year(s)	Contribution limit	Contribution limit if 50 or older at the end of the year
2023	$6,500	$7,500
2019 through 2022	$6,000	$7,000
2013 through 2018	$5,500	$6,500
2008 through 2012	$5,000	$6,000
2006 or 2007	$4,000	$5,000
2005	$4,000	$4,500
2002 through 2004	$3,000	$3,500

1997 through 2001	$2,000	—
before 1997	$2,250	—

Excess due to incorrect rollover information. If an excess contribution in your traditional IRA is the result of a rollover and the excess occurred because the information the plan was required to give you was incorrect, you can withdraw the excess contribution. The limits mentioned above are increased by the amount of the excess that is due to the incorrect information. You will have to amend your return for the year in which the excess occurred to correct the reporting of the rollover amounts in that year. Don't include in your gross income the part of the excess contribution caused by the incorrect information. For more information, see *Excess Contributions* under *What Acts Result in Penalties or Additional Taxes?* in Pub. 590-A.

Early Distributions

You must include early distributions of taxable amounts from your traditional IRA in your gross income. Early distributions are also subject to an additional 10% tax. See the discussion of Form 5329 under *Reporting Additional Taxes*, later, to figure and report the tax.

Early distributions defined. Early distributions are generally amounts distributed from your traditional IRA account or annuity before you are age $59^{1}/2$.

Age $59^{1}/2$ rule. Generally, if you are under age $59^{1}/2$, you must pay a 10% additional tax on the distribution of any assets (money or other property) from your traditional IRA. Distributions before you are age $59^{1}/2$ are called early distributions.

The 10% additional tax applies to the part of the distribution that you have to include in gross income. It is in addition to any regular income tax on that amount.

After age 59 1/2 and before age 72. After you reach age 59 1/2, you can receive distributions without having to pay the 10% additional tax. Even though you can receive distributions after you reach age 59 1/2, distributions aren't required until you reach age 72. See *When Must You Withdraw IRA Assets? (Required Minimum Distributions)*, earlier.

Exceptions. There are several exceptions to the age 59 1/2 rule. Even if you receive a distribution before you are age 59 1/2, you may not have to pay the 10% additional tax if you are in one of the following situations.

- You have unreimbursed medical expenses that are more than 7.5% of your AGI.
- The distribution is for the cost of your medical insurance due to a period of unemployment.

- You are totally and permanently disabled.
- You have been certified as having a terminal illness.
- You are the beneficiary of a deceased IRA owner.
- You are receiving distributions in the form of a series of substantially equal periodic payments.
- The distribution is income on a corrective distribution.
- The distribution is for your qualified higher education expenses.
- You use the distributions to buy, build, or rebuild a first home.
- The distribution is due to an IRS levy of the IRA or retirement plan.
- The distribution is a qualified reservist distribution.

Most of these exceptions are explained under *Early Distributions* under *What Acts Result in Penalties or Additional Taxes?* in chapter 1 of Pub. 590-B.

Note. Distributions that are timely and properly rolled over, as discussed earlier, aren't subject to either regular income tax or the 10% additional tax. Certain withdrawals of excess contributions after the due date of your return are also tax free and therefore not subject to the 10% additional tax. (See *Excess contributions withdrawn after due date of return*, earlier.) This also applies to transfers incident to divorce, as discussed earlier.

Receivership distributions. Early distributions (with or without your consent) from savings institutions placed in receivership are subject to this tax unless one of the exceptions listed earlier applies. This is true even if the distribution is from a receiver that is a state agency.

Additional 10% tax. The additional tax on early distributions is 10% of the amount of the early distribution that you must include in your gross income. This tax is in addition to any regular income tax resulting from including the distribution in income.

Nondeductible contributions. The tax on early distributions doesn't apply to the part of a distribution that represents a return of your nondeductible contributions (basis).

More information. For more information on early distributions, see *What Acts Result in Penalties or Additional Taxes?* in chapter 1 of Pub. 590-B.

Excess Accumulations (Insufficient Distributions)

You can't keep amounts in your traditional IRA indefinitely. Generally, you must begin receiving distributions by April 1 of the year following the year in which you reach age 72. The required minimum distribution for any year after the year in which you reach age 72 must be made by December 31 of that later year.

Individuals who reach age 72 after December 31, 2022, may delay receiving their required minimum distributions until April 1 of the year following the year in which they reach age 73.

Tax on excess. If distributions are less than the required minimum distribution for the year, you may have to pay a 25% excise tax for that year on the amount not distributed as required.

The excise tax on distributions that are less than the required minimum distribution amount is reduced to 25% for tax years beginning after December 29, 2022. Also, there is an additional reduction to 10% for taxpayers meeting additional requirements. See Pub. 590-B for more information.

Request to waive the tax. If the excess accumulation is due to reasonable error, and you have taken, or are taking, steps to remedy the insufficient distribution, you can request that the tax be waived. If you believe you qualify for this relief, attach a statement of explanation and complete Form 5329 as instructed under *Waiver of tax for reasonable cause* in the Instructions for Form 5329.

Exemption from tax. If you are unable to take required distributions because you have a traditional IRA invested in a contract issued by an insurance company that is in state insurer delinquency proceedings, the 25% excise tax doesn't apply if the conditions and requirements of Revenue Procedure 92-10 are satisfied.

More information. For more information on excess accumulations, see *What Acts Result in Penalties or Additional Taxes?* in chapter 1 of Pub. 590-B.

Reporting Additional Taxes

Generally, you must use Form 5329 to report the tax on excess contributions, early distributions, and excess accumulations.

Filing a tax return. If you must file an individual income tax return, complete Form 5329 and attach it to your Form 1040 or 1040-SR. Enter the total additional taxes due on Schedule 2 (Form 1040), line 8.

Not filing a tax return. If you don't have to file a tax return but do have to pay one of the additional taxes mentioned earlier, file the completed Form 5329 with the IRS at the time and place you would have filed your Form 1040 or 1040-SR. Be sure to include your address on page 1 and your signature and date on page 2. Enclose, but don't attach, a check or money order made payable to “United States Treasury” for the tax you owe, as shown on Form 5329. Enter your social security number and “2023 Form 5329” on your check or money order.

Form 5329 not required. You don't have to use Form 5329 if any of the following situations exists.

- Distribution code 1 (early distribution) is correctly shown in box 7 of all your Forms 1099-R. If you don't owe any other additional tax on a distribution, multiply the taxable part of the early distribution by 10% (0.10) and enter the result on Schedule 2 (Form 1040), line 8. Enter “No” to the left of the line to indicate that you don't have to file Form 5329. However, if you owe this tax and also owe any other additional tax on a distribution, don't enter this 10% additional tax directly on your Form 1040 or 1040-SR.

You must file Form 5329 to report your additional taxes.

- If you rolled over part or all of a distribution from a qualified retirement plan, the part rolled over isn't subject to the tax on early distributions.

- If you have a qualified disaster distribution.

Roth IRAs

Regardless of your age, you may be able to establish and make nondeductible contributions to a retirement plan called a Roth IRA.

Contributions not reported. You don't report Roth IRA contributions on your return.

What Is a Roth IRA?

A Roth IRA is an individual retirement plan that, except as explained in this chapter, is subject to the rules that apply to a traditional IRA (defined earlier). It can be either an account or an annuity. Individual retirement accounts and annuities are described under *How Can a Traditional IRA Be Opened?* in chapter 1 of Pub. 590-A.

To be a Roth IRA, the account or annuity must be designated as a Roth IRA when it is opened. A deemed IRA can be a Roth IRA. Beginning in tax year 2023, both a SEP or SIMPLE IRA can be designated as a Roth IRA.

Unlike a traditional IRA, you can't deduct contributions to a Roth IRA. But, if you satisfy the requirements, qualified distributions (discussed later) are tax free. You can leave amounts in your Roth IRA as long as you live.

When Can a Roth IRA Be Opened?

You can open a Roth IRA at any time. However, the time for making contributions for any year is limited. See *When Can You Make Contributions* under *Can You Contribute to a Roth IRA?* next.

Can You Contribute to a Roth IRA?

Generally, you can contribute to a Roth IRA if you have taxable compensation (defined later) and your modified AGI (defined later) is less than:

- $228,000 for married filing jointly or qualifying surviving spouse;
- $153,000 for single, head of household, or married filing separately and you didn't live with your spouse at any time during the year; or
- $10,000 for married filing separately and you lived with your spouse at any time during the year.

TIP *You may be eligible to claim a credit for contributions to your Roth IRA. For more information, see chapter 3 of Pub. 590-A.*

Is there an age limit for contributions? Contributions can be made to your Roth IRA regardless of your age.

Can you contribute to a Roth IRA for your spouse? You can contribute to a Roth IRA for your spouse provided the contributions satisfy the Kay Bailey Hutchison Spousal IRA limit (discussed under *How Much*

Can Be Contributed, earlier, under *Traditional IRAs*), you file jointly, and your modified AGI is less than $228,000.

Compensation. Compensation includes wages, salaries, tips, professional fees, bonuses, and other amounts received for providing personal services. It also includes commissions, self-employment income, nontaxable combat pay, military differential pay, taxable alimony and separate maintenance payments, and taxable non-tuition fellowship and stipend payments.

See *What is compensation*, earlier, for more information.

Modified AGI. Your modified AGI for Roth IRA purposes is your AGI as shown on your return with some adjustments. Use Worksheet 9-2 to determine your modified AGI.

How Much Can Be Contributed?

The contribution limit for Roth IRAs generally depends on whether contributions are made only to Roth IRAs or to both traditional IRAs and Roth IRAs.

Roth IRAs only. If contributions are made only to Roth IRAs, your contribution limit is generally the lesser of the following amounts.

- $6,500 ($7,500 if you are 50 or older in 2023).
- Your taxable compensation.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced, as explained later under *Contribution limit reduced*.

Worksheet 9-2. **Modified AGI for Roth IRA Purposes** *Keep for Your Records*

Use this worksheet to figure your modified AGI for Roth IRA purposes.

1.	Enter your AGI from Form 1040 or 1040-SR, line 11	1.	______
2.	Enter any income resulting from the conversion of an IRA (other than a Roth IRA) to a Roth IRA (included on Form 1040 or 1040-SR, line 4b) and a rollover from a qualified retirement plan to a Roth IRA (included on Form 1040 or 1040-SR, line 5b)	2.	______
3.	Subtract line 2 from line 1	3.	______
4.	Enter any traditional IRA deduction from Schedule 1 (Form 1040), line 20	4.	______
5.	Enter any student loan interest deduction from Schedule 1 (Form 1040), line 21	5.	______
6.	Enter any foreign earned income and/or housing exclusion from Form 2555, line 45	6.	______
7.	Enter any foreign housing deduction from Form 2555, line 50	7.	______
8.	Enter any excludable savings bond interest from Form 8815, line 14	8.	______
9.	Enter any excluded employer-provided adoption benefits from Form 8839, line 28	9.	______
10.	Add the amounts on lines 3 through 9	10.	______
11.	Enter: • $228,000 if married filing jointly or qualifying surviving spouse, • $10,000 if married filing separately and you lived with your spouse at any time during the year, or • $153,000 for all others	11.	______

Is the amount on line 10 more than the amount on line 11?
If yes, then see the ***Note*** below.
If no, then the amount on line 10 is your **modified AGI** for Roth IRA purposes.

Note. If the amount on line 10 is more than the amount on line 11 and you have other income or loss items, such as social security income or passive activity losses, that are subject to AGI-based phaseouts, you can refigure your AGI solely for the purpose of figuring your modified AGI for Roth IRA purposes. (If you receive social security benefits, use Worksheet 1 in *Appendix B* of Pub. 590-A to refigure your AGI.) Then, go to line 3 above in this Worksheet 9-2 to refigure your modified AGI. If you don't have other income or loss items subject to AGI-based phaseouts, your modified AGI for Roth IRA purposes is the amount on line 10.

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Roth IRAs and traditional IRAs. If contributions are made to both Roth IRAs and traditional IRAs established for your benefit, your contribution limit for Roth IRAs is generally the same as your limit would be if contributions were made only to Roth IRAs, but then reduced by all contributions for the year to all IRAs other than Roth IRAs. Employer contributions under a SEP or SIMPLE IRA plan don't affect this limit.

This means that your contribution limit is generally the lesser of the following amounts.

- $6,500 ($7,500 if you are 50 or older in 2023) minus all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs.
- Your taxable compensation minus all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced, as explained next under *Contribution limit reduced*.

Contribution limit reduced. If your modified AGI is above a certain amount, your contribution limit is gradually reduced. Use Table 9-3 to determine if this reduction applies to you.

Figuring the reduction. If the amount you can contribute to your Roth IRA is reduced, see Worksheet 2-2 under *Can You Contribute to a Roth IRA?* in chapter 2 of Pub. 590-A for how to figure the reduction.

Table 9-3. **Effect of Modified AGI on Roth IRA Contribution**

This table shows whether your contribution to a Roth IRA is affected by the amount of your modified AGI.

IF you have taxable compensation and your filing status is...	AND your modified AGI is...	THEN...
Married filing jointly or **Qualifying surviving spouse**	less than $218,000	you can contribute up to $6,500 ($7,500 if you are 50 or older in 2023).
	at least $218,000 but less than $228,000	the amount you can contribute is reduced as explained under *Contribution limit reduced* in chapter 2 of Pub. 590-A.
	$228,000 or more	you can't contribute to a Roth IRA.
Married filing separately and you lived with your spouse at any time during the year	zero (-0-)	you can contribute up to $6,500 ($7,500 if you are 50 or older in 2023).
	more than zero (-0-) but less than $10,000	the amount you can contribute is reduced as explained under *Contribution limit reduced* in chapter 2 of Pub. 590-A.
	$10,000 or more	you can't contribute to a Roth IRA.
Single, Head of household, or **Married filing separately** and you didn't live with your spouse at any time during the year	less than $138,000	you can contribute up to $6,500 ($7,500 if you are 50 or older in 2023).
	at least $138,000 but less than $153,000	the amount you can contribute is reduced as explained under *Contribution limit reduced* in chapter 2 of Pub. 590-A.
	$153,000 or more	you can't contribute to a Roth IRA.

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When Can You Make Contributions?

You can make contributions to a Roth IRA for a year at any time during the year or by the due date of your return for that year (not including extensions).

You can make contributions for 2023 by the due date (not including extensions) for filing your 2023 tax return.

What if You Contribute Too Much?

A 6% excise tax applies to any excess contribution to a Roth IRA.

Excess contributions. These are the contributions to your Roth IRAs for a year that equal the total of:

1. Amounts contributed for the tax year to your Roth IRAs (other than amounts properly and timely rolled over from a Roth IRA or properly converted from a traditional IRA or rolled over from a

qualified retirement plan, as described later) that are more than your contribution limit for the year; plus

2. Any excess contributions for the preceding year, reduced by the total of:

   a. Any distributions out of your Roth IRAs for the year, plus

   b. Your contribution limit for the year minus your contributions to all your IRAs for the year.

Withdrawal of excess contributions. For purposes of determining excess contributions, any contribution that is withdrawn on or before the due date (including extensions) for filing your tax return for the year is treated as an amount not contributed. This treatment applies only if any earnings on the contributions are also withdrawn. The earnings are considered to have been earned and received in the year the excess contribution was made.

Applying excess contributions. If contributions to your Roth IRA for a year were more than the limit, you can apply the excess contribution in one year to a later year if the contributions for that later year are less than the maximum allowed for that year.

Can You Move Amounts Into a Roth IRA?

You may be able to convert amounts from either a traditional, SEP, or SIMPLE IRA into a Roth IRA. You may be able to roll amounts over from a qualified retirement plan to a Roth IRA. You may be able to recharacterize contributions made to one IRA as having been made directly to a different IRA. You can roll amounts over from a designated Roth account or from one Roth IRA to another Roth IRA.

Conversions

You can convert a traditional IRA to a Roth IRA. The conversion is treated as a rollover, regardless of the conversion method used. Most of the rules for rollovers, described earlier under *Rollover From One IRA Into Another* under *Traditional IRAs*, apply to these rollovers. However, the 1-year waiting period doesn't apply.

Conversion methods. You can convert amounts from a traditional IRA to a Roth IRA in any of the following ways.

- ***Rollover***. You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days after the distribution.
- ***Trustee-to-trustee transfer***. You can direct the trustee of the traditional IRA to transfer an amount from the traditional IRA to the trustee of the Roth IRA.

- ***Same trustee transfer***. If the trustee of the traditional IRA also maintains the Roth IRA, you can direct the trustee to transfer an amount from the traditional IRA to the Roth IRA.

Same trustee. Conversions made with the same trustee can be made by redesignating the traditional IRA as a Roth IRA, rather than opening a new account or issuing a new contract.

Rollover from a qualified retirement plan into a Roth IRA. You can roll over into a Roth IRA all or part of an eligible rollover distribution you receive from your (or your deceased spouse's):

- Employer's qualified pension, profit-sharing, or stock bonus plan;
- Annuity plan;
- Tax-sheltered annuity plan (section 403(b) plan); or

- Governmental deferred compensation plan (section 457 plan).

Any amount rolled over is subject to the same rules as those for converting a traditional IRA into a Roth IRA. Also, the rollover contribution must meet the rollover requirements that apply to the specific type of retirement plan.

Income. You must include in your gross income distributions from a qualified retirement plan that you would have had to include in income if you hadn't rolled them over into a Roth IRA. You don't include in gross income any part of a distribution from a qualified retirement plan that is a return of basis (after-tax contributions) to the plan that was taxable to you when paid. These amounts are normally included in income on your return for the year of the rollover from the qualified employer plan to a Roth IRA.

If you must include any amount in your gross income, you may have to increase your withholding or make estimated tax payments. See Pub. 505, Tax Withholding and Estimated Tax.

For more information, see *Rollover From Employer's Plan Into a Roth IRA* in chapter 2 of Pub. 590-A.

Converting from a SIMPLE IRA. Generally, you can convert an amount in your SIMPLE IRA to a Roth IRA under the same rules explained earlier under *Converting From Any Traditional IRA to a Roth IRA* under *Traditional IRAs*.

However, you can't convert any amount distributed from the SIMPLE IRA plan during the 2-year period beginning on the date you first participated in any SIMPLE IRA plan maintained by your employer.

More information. For more detailed information on conversions, see *Can You Move Amounts Into a Roth IRA?* in chapter 2 of Pub. 590-A.

Rollover From a Roth IRA

You can withdraw, tax free, all or part of the assets from one Roth IRA if you contribute them within 60 days to another Roth IRA. Most of the rules for rollovers, explained earlier under *Rollover From One IRA Into Another* under *Traditional IRAs*, apply to these rollovers.

Rollover from designated Roth account. A rollover from a designated Roth account can only be made to another designated Roth account or to a Roth IRA. For more information about designated Roth accounts, see *Designated Roth accounts* under *Rollovers* in Pub. 575.

Are Distributions Taxable?

You don't include in your gross income qualified distributions or distributions that are a return of your regular contributions from your Roth IRA(s). You also don't include distributions from your Roth IRA that you roll over tax free into another Roth IRA. You may have to include part of other distributions in your income. See *Ordering rules for distributions*, later.

What are qualified distributions? A qualified distribution is any payment or distribution from your Roth IRA that meets the following requirements.

1. It is made after the 5-year period beginning with the first tax year for which a contribution was made to a Roth IRA set up for your benefit.
2. The payment or distribution is:
   a. Made on or after the date you reach age $59^1/2$,

b. Made because you are disabled,

c. Made to a beneficiary or to your estate after your death, or

d. To pay up to $10,000 (lifetime limit) of certain qualified first-time homebuyer amounts. See *First home* under *What Acts Result in Penalties or Additional Taxes?* in chapter 1 of Pub. 590-B for more information.

Additional tax on distributions of conversion and certain rollover contributions within 5-year period. If, within the 5-year period starting with the first day of your tax year in which you convert an amount from a traditional IRA or roll over an amount from a qualified retirement plan to a Roth IRA, you take a distribution from a Roth IRA, you may have to pay the 10% additional tax on early distributions. You must generally pay the 10% additional tax on any amount attributable to the part of the amount converted or rolled over (the conversion or rollover contribution) that you had to include in income. A separate 5-year period applies to each conversion and rollover. See *Ordering rules for distributions*, later, to determine the amount, if any, of the distribution that is attributable to the part of the conversion or rollover contribution that you had to include in income.

Additional tax on other early distributions. Unless an exception applies, you must pay the 10% additional tax on the taxable part of any distributions that aren't qualified distributions. See Pub. 590-B for more information.

Ordering rules for distributions. If you receive a distribution from your Roth IRA that isn't a qualified distribution, part of it may be taxable. There is a set order in which contributions (including conversion contributions and rollover contributions from qualified retirement plans) and earnings are considered to be distributed from your Roth IRA. Regular contributions are distributed first. See *Ordering Rules for Distributions* under *Are Distributions Taxable?* in chapter 2 of Pub. 590-B for more information.

Must you withdraw or use Roth IRA assets? You aren't required to take distributions from your Roth IRA at any age. The minimum distribution rules that apply to traditional IRAs don't apply to Roth IRAs while the owner is alive. However, after the death of a Roth IRA owner, certain minimum distribution rules that apply to traditional IRAs also apply to Roth IRAs.

More information. For more detailed information on Roth IRAs, see chapter 2 of Pub. 590-A and Pub. 590-B.

Part Three.

Standard Deduction, Itemized Deductions, and Other Deductions

After you have figured your adjusted gross income, you are ready to subtract the deductions used to figure taxable income. You can subtract either the standard deduction or itemized deductions, and, if you qualify, the qualified business income deduction. Itemized deductions are deductions for certain expenses that are listed on Schedule A (Form 1040).

The three chapters in this part discuss the standard deduction and certain itemized deductions. See chapter 10 for the factors to consider when deciding whether to take the standard deduction or itemized deductions.

The Form 1040 and Form 1040-SR schedules that are discussed in these chapters are:

- *Schedule 1, Additional Income and Adjustments to Income;*
- *Schedule 2 (Part II), Other Taxes; and*
- *Schedule 3 (Part I), Nonrefundable Credits.*

10.

Standard Deduction

What's New

Standard deduction increased. The standard deduction for taxpayers who don't itemize their deductions on Schedule A (Form 1040) has increased. The amount of your standard deduction depends on your filing status and other factors. Use the 2023 Standard Deduction Tables near the end of this chapter to figure your standard deduction.

Introduction

This chapter discusses the following topics.

- How to figure the amount of your standard deduction.
- The standard deduction for dependents.
- Who should itemize deductions.

Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions. If you have a choice, you can use the method that gives you the lower tax.

The standard deduction is a dollar amount that reduces your taxable income. It is a benefit that eliminates the need for many taxpayers to itemize actual deductions, such as medical expenses, charitable contributions, and taxes, on Schedule A (Form 1040). The standard deduction is higher for taxpayers who:

- Are 65 or older, or

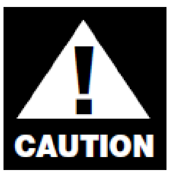
- Are blind.

TIP *You benefit from the standard deduction if your standard deduction is more than the total of your allowable itemized deductions.*

Persons not eligible for the standard deduction. Your standard deduction is zero and you should itemize any deductions you have if:

- Your filing status is married filing separately, and your spouse itemizes deductions on their return;
- You are filing a tax return for a short tax year because of a change in your annual accounting period; or
- You are a nonresident or dual-status alien during the year. You are considered a dual-status alien if you were both a nonresident and resident alien during the year.

If you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the year, you can choose to be treated as a U.S. resident. (See Pub. 519.) If you make this choice, you can take the standard deduction.



If you can be claimed as a dependent on another person's return (such as your parents' return), your standard deduction may be limited. See Standard Deduction for Dependents*, later.*

Useful Items

You may want to see:

Publication

- ☐ **501** Dependents, Standard Deduction, and Filing Information
- ☐ **502** Medical and Dental Expenses
- ☐ **526** Charitable Contributions
- ☐ **530** Tax Information for Homeowners

- ☐ **547** Casualties, Disasters, and Thefts
- ☐ **550** Investment Income and Expenses
- ☐ **936** Home Mortgage Interest Deduction

Standard Deduction Amount

The standard deduction amount depends on your filing status, whether you are 65 or older or blind, and whether another taxpayer can claim you as a dependent. Generally, the standard deduction amounts are adjusted each year for inflation. The standard deduction amounts for most people are shown in Table 10-1.

Decedent's final return. The standard deduction for a decedent's final tax return is the same as it would have been had the decedent continued to live. However, if the decedent wasn't 65 or older at the time of death, the higher standard deduction for age can't be claimed.

Higher Standard Deduction for Age (65 or Older)

If you are age 65 or older on the last day of the year and don't itemize deductions, you are entitled to a higher standard deduction. You are considered 65 on the day before your 65th birthday. Therefore, you can take a higher standard deduction for 2023 if you were born before January 2, 1959.

Use Table 10-2 to figure the standard deduction amount.

Death of a taxpayer. If you are preparing a return for someone who died in 2023, read this before using Table 10-2 or Table 10-3. Consider the taxpayer to be 65 or older at the end of 2023 only if they were 65 or older at the time of death. Even if the taxpayer was born before January 2, 1959, they are not considered 65 or older at the end of 2023 unless they were 65 or older at the time of death.

A person is considered to reach age 65 on the day before their 65th birthday.

Higher Standard Deduction for Blindness

If you are blind on the last day of the year and you don't itemize deductions, you are entitled to a higher standard deduction.

Not totally blind. If you aren't totally blind, you must get a certified statement from an eye doctor (ophthalmologist or optometrist) that:

- You can't see better than 20/200 in the better eye with glasses or contact lenses, or
- Your field of vision is 20 degrees or less.

If your eye condition isn't likely to improve beyond these limits, the statement should include this fact. Keep the statement in your records.

If your vision can be corrected beyond these limits only by contact lenses that you can wear only briefly because of pain, infection, or ulcers, you can take the higher standard deduction for blindness if you otherwise qualify.

Spouse 65 or Older or Blind

You can take the higher standard deduction if your spouse is age 65 or older or blind and:

- You file a joint return, or
- You file a separate return and your spouse had no gross income and can't be claimed as a dependent by another taxpayer.

Death of a spouse. If your spouse died in 2023 before reaching age 65, you can't take a higher standard deduction because of your spouse. Even if your spouse was born before January 2, 1959, your spouse isn't considered 65 or older at the end of 2023 unless your spouse was 65 or older at the time of death.

A person is considered to reach age 65 on the day before their 65th birthday.

Example. Your spouse was born on February 14, 1958, and died on February 13, 2023. Your spouse is considered age 65 at the time of death. However, if your spouse died on February 12, 2023, your spouse isn't considered age 65 at the time of death and isn't 65 or older at the end of 2023.

You can't claim the higher standard deduction for an individual other than yourself and your spouse.

Higher Standard Deduction for Net Disaster Loss

Your standard deduction may be increased by any net qualified disaster loss.

See the Instructions for Form 1040 and the Instructions for Schedule A (Form 1040) for more information on how to figure your increased standard deduction and how to report it on Form 1040 or 1040-SR.

Examples

The following examples illustrate how to determine your standard deduction using Tables 10-1 and 10-2.

Example 1. Hunter, 46, and Avery, 33, are filing a joint return for 2023. Neither is blind, and neither can be claimed as a dependent. They decide not to itemize their deductions. They use Table 10-1. Their standard deduction is $27,700.

Example 2. The facts are the same as in *Example 1*, except that Hunter is blind at the end of 2023. Hunter and Avery use Table 10-2. Their standard deduction is $29,200.

Example 3. Dylan and Dru are filing a joint return for 2023. Both are over age 65. Neither is blind, and neither can be claimed as a dependent. If they don't itemize deductions, they use Table 10-2. Their standard deduction is $30,700.

Standard Deduction for Dependents

The standard deduction for an individual who can be claimed as a dependent on another person's tax return is generally limited to the greater of:

- $1,250, or
- The individual's earned income for the year plus $400 (but not more than the regular standard deduction amount, generally $13,850).

However, if the individual is 65 or older or blind, the standard deduction may be higher.

If you (or your spouse, if filing jointly) can be claimed as a dependent on someone else's return, use Table 10-3 to determine your standard deduction.

Earned income defined. Earned income is salaries, wages, tips, professional fees, and other amounts received as pay for work you actually perform.

For purposes of the standard deduction, earned income also includes any part of a taxable scholarship or fellowship grant. See chapter 1 of Pub. 970 for more information on what qualifies as a scholarship or fellowship grant.

Example 1. You are 16 years old and single. Your parents can claim you as a dependent on their 2023 tax return. You have interest income of $780 and wages of $150. You have no itemized deductions and use Table 10-3 to find your standard deduction. You enter $150 (earned income) on line 1, $550 ($150 + $400) on line 3, $1,250 (the larger of $550 and $1,250) on line 5, and $13,850 on line 6. Your standard deduction, on line 7a, is $1,250 (the smaller of $1,250 and $13,850).

Example 2. You are a 22-year-old college student and can be claimed as a dependent on your parents' 2023 tax return. You are married filing a separate return. Your spouse doesn't itemize deductions. You have $1,500 in interest income and wages of $3,800 and no itemized deductions. You find your standard deduction by using Table 10-3. You enter earned income, $3,800, on line 1. You add lines 1 and 2 and enter $4,200 ($3,800 + $400) on line 3. On line 5, you enter $4,200, the larger of lines 3 and 4. Because you are married filing a separate return, you enter $13,850 on line 6. On line 7a, you enter $4,200 as the standard deduction amount because it is smaller than $13,850, the amount on line 6.

Example 3. You are single and can be claimed as a dependent on your parents' 2023 tax return. You are 18 years old and blind and have interest income of $1,300, wages of $2,900, and no itemized deductions.

You use Table 10-3 to find the standard deduction amount. You enter wages of $2,900 on line 1, and add lines 1 and 2 and enter $3,300 ($2,900 + $400) on line 3. On line 5, you enter $3,300, the larger of lines 3 and 4. Because you are single, you enter $13,850 on line 6 and $3,300 on line 7a. This is the smaller of the amounts on lines 5 and 6. Because you checked one box in the top part of the worksheet, you enter $1,850 on line 7b, then add the amounts on lines 7a and 7b and enter the standard deduction amount of $5,150 ($3,300 + $1,850) on line 7c.

Example 4. You are 18 years old and single and can be claimed as a dependent on your parents' 2023 tax return. You have wages of $7,000, interest income of $500, a business loss of $3,000, and no itemized deductions. You use Table 10-3 to figure the standard deduction amount. You enter $4,000 ($7,000 − $3,000) on line 1, and add lines 1 and 2 and enter $4,400 ($4,000 + $400) on line 3.

On line 5, you enter $4,400, the larger of lines 3 and 4, and, because you are single, $13,850 on line 6. On line 7a, you enter $4,400 as the standard deduction amount because it is smaller than $13,850, the amount on line 6.

Who Should Itemize

You should itemize deductions if your total deductions are more than your standard deduction amount. Also, you should itemize if you don't qualify for the standard deduction, as discussed earlier under *Persons not eligible for the standard deduction*.

You should first figure your itemized deductions and compare that amount to your standard deduction to make sure you are using the method that gives you the greater benefit.

When to itemize. You may benefit from itemizing your deductions on Schedule A (Form 1040) if you:

- Don't qualify for the standard deduction,
- Had large uninsured medical and dental expenses during the year,
- Paid interest and taxes on your home,
- Had large uninsured casualty or theft losses,
- Made large contributions to qualified charities, or
- Have total itemized deductions that are more than the standard deduction to which you are otherwise entitled.

These deductions are explained in chapter 11 and in the publications listed under *Useful Items*, earlier.

If you decide to itemize your deductions, complete Schedule A and attach it to your Form 1040 or 1040-SR. Enter the amount from Schedule A, line 17, on Form 1040 or 1040-SR, line 12.

Electing to itemize for state tax or other purposes. Even if your itemized deductions are less than your standard deduction, you can elect to itemize deductions on your federal return rather than taking the standard deduction. You may want to do this if, for example, the tax benefit of itemizing your deductions on your state tax return is greater than the tax benefit you lose on your federal return by not taking the standard deduction. To make this election, you must check the box on line 18 of Schedule A.

Changing your mind. If you don't itemize your deductions and later find that you should have itemized—or if you itemize your deductions and later find you shouldn't have—you can change your return by filing Form 1040-X, Amended U.S. Individual Income Tax Return. See *Amended Returns and Claims for Refund* in chapter 1 for more information on amended returns.

Married persons who filed separate returns. You can change methods of taking deductions only if you and your spouse both make the same changes. Both of you must file a consent to assessment for any additional tax either one may owe as a result of the change.

You and your spouse can use the method that gives you the lower total tax, even though one of you may pay more tax than you would have paid by using the other method. You both must use the same method of claiming deductions. If one itemizes deductions, the other should itemize because they won't qualify for the standard deduction. See *Persons not eligible for the standard deduction*, earlier.

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2023 Standard Deduction Tables

If you are married filing a separate return and your spouse itemizes deductions, or if you are a dual-status alien, you can't take the standard deduction even if you were born before January 2, 1959, or are blind.

Table 10-1. Standard Deduction Chart for Most People*

IF your filing status is...	THEN your standard deduction is...
Single or Married filing separately	$13,850
Married filing jointly or Qualifying surviving spouse	27,700
Head of household	20,800

* Don't use this chart if you were born before January 2, 1959, are blind, or if someone else can claim you (or your spouse, if filing jointly) as a dependent. Use Table 10-2 or 10-3 instead.

Table 10-2. Standard Deduction Chart for People Born Before January 2, 1959, or Who Are Blind*

Check the correct number of boxes below. Then go to the chart.

You: Born before January 2, 1959 ☐ Blind ☐

Your spouse: Born before January 2, 1959 ☐ Blind ☐

Total number of boxes checked ☐

IF your filing status is...	AND the number in the box above is...	THEN your standard deduction is...
Single	1	$15,700
	2	17,550
Married filing jointly	1	$29,200
	2	30,700
	3	32,200
	4	33,700
Qualifying surviving spouse	1	$29,200
	2	30,700
Married filing separately**	1	$15,350
	2	16,850
	3	18,350
	4	19,850
Head of household	1	$22,650
	2	24,500

* If someone else can claim you (or your spouse, if filing jointly) as a dependent, use Table 10-3 instead.

** You can check the boxes for *Your Spouse* if your filing status is married filing separately and your spouse had no income, isn't filing a return, and can't be claimed as a dependent on another person's return.

Table 10-3. Standard Deduction Worksheet for Dependents
Use this worksheet only if someone else can claim you (or your spouse, if filing jointly) as a dependent.

Check the correct number of boxes below. Then go to the worksheet.

You: Born before January 2, 1959 ☐ Blind ☐

Your spouse: Born before January 2, 1959 ☐ Blind ☐

Total number of boxes checked ☐

1.	Enter your earned income (defined below). If none, enter -0-.	**1.** ______
2.	Additional amount.	**2.** $400
3.	Add lines 1 and 2.	**3.** ______
4.	Minimum standard deduction.	**4.** $1,250
5.	Enter the larger of line 3 or line 4.	**5.** ______
6.	Enter the amount shown below for your filing status. • Single or Married filing separately—$13,850 • Married filing jointly—$27,700 • Head of household—$20,800	**6.** ______
7.	**Standard deduction.** **a.** Enter the smaller of line 5 or line 6. If born after January 1, 1959, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b. **b.** If born before January 2, 1959, or blind, multiply $1,850 ($1,500 if married) by the number in the box above. **c.** Add lines 7a and 7b. This is your standard deduction for 2023.	**7a.** ______ **7b.** ______ **7c.** ______

Earned income *includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any taxable scholarship or fellowship grant.*

11.

Taxes

Reminders

Limitation on deduction for state and local taxes. The Tax Cuts and Jobs Act provided for a temporary limitation on the deduction for state and local taxes. See *Limitation on deduction for state and local taxes*, later.

No deduction for foreign taxes paid for real estate. You can no longer deduct foreign taxes you paid on real estate.

Introduction

This chapter discusses which taxes you can deduct if you itemize deductions on Schedule A (Form 1040). It also explains which taxes you can deduct on other schedules or forms and which taxes you can't deduct.

This chapter covers the following topics.

- Income taxes (federal, state, local, and foreign).
- General sales taxes (state and local).
- Real estate taxes (state, local, and foreign).
- Personal property taxes (state and local).
- Taxes and fees you can't deduct.

Use Table 11-1 as a guide to determine which taxes you can deduct.

The end of the chapter contains a section that explains which forms you use to deduct different types of taxes.

Business taxes. You can deduct certain taxes only if they are ordinary and necessary expenses of your trade or business or of producing income. For information on these taxes, see *Business Expenses* in Chapter 8 of Pub. 334.

State or local taxes. These are taxes imposed by the 50 states, U.S. territories, or any of their political subdivisions (such as a county or city), or by the District of Columbia.

Indian tribal government. An Indian tribal government recognized by the Secretary of the Treasury as performing substantial government functions will be treated as a state for purposes of claiming a deduction for taxes. Income taxes, real estate taxes, and personal property taxes imposed by that Indian tribal government (or by any of its subdivisions that are treated as political subdivisions of a state) are deductible.

General sales taxes. These are taxes imposed at one rate on retail sales of a broad range of classes of items.

Foreign taxes. These are taxes imposed by a foreign country or any of its political subdivisions.

Useful Items

You may want to see:

Publication

- ☐ **502** Medical and Dental Expenses
- ☐ **503** Child and Dependent Care Expenses
- ☐ **504** Divorced or Separated Individuals
- ☐ **514** Foreign Tax Credit for Individuals
- ☐ **525** Taxable and Nontaxable Income
- ☐ **530** Tax Information for Homeowners

Form (and Instructions)

- ☐ **Schedule A (Form 1040)** Itemized Deductions
- ☐ **Schedule C (Form 1040)** Profit or Loss From Business (Sole Proprietorship)

- ☐ **Schedule E (Form 1040)** Supplemental Income and Loss
- ☐ **Schedule F (Form 1040)** Profit or Loss From Farming
- ☐ **Schedule SE (Form 1040)** Self-Employment Tax
- ☐ **1116** Foreign Tax Credit

For these and other useful items, go to *IRS.gov/ Forms*.

Tests To Deduct Any Tax

The following two tests must be met for you to deduct any tax.

- The tax must be imposed on you.
- You must pay the tax during your tax year.

The tax must be imposed on you. In general, you can deduct only taxes imposed on you.

Generally, you can deduct property taxes only if you are an owner of the property. If your spouse owns the property and pays the real estate taxes, the taxes are deductible on your spouse's separate return or on your joint return.

You must pay the tax during your tax year. If you are a cash basis taxpayer, you can deduct only those taxes you actually paid during your tax year. If you pay your taxes by check and the check is honored by your financial institution, the day you mail or deliver the check is the date of payment. If you use a pay-by-phone account (such as a credit card or electronic funds withdrawal), the date reported on the statement of the financial institution showing when payment was made is the date of payment. If you contest a tax liability and are a cash basis taxpayer, you can deduct the tax only in the year you actually pay it (or transfer money or other property to provide for satisfaction of the contested liability). See Pub. 538 for details.

If you use an accrual method of accounting, see Pub. 538 for more information.

Income Taxes

This section discusses the deductibility of state and local income taxes (including employee contributions to state benefit funds) and foreign income taxes.

State and Local Income Taxes

You can deduct state and local income taxes.

Exception. You can’t deduct state and local income taxes you pay on income that is exempt from federal income tax, unless the exempt income is interest income. For example, you can’t deduct the part of a state's income tax that is on a cost-of-living allowance exempt from federal income tax.

What To Deduct

Your deduction may be for withheld taxes, estimated tax payments, or other tax payments as follows.

Withheld taxes. You can deduct state and local income taxes withheld from your salary in the year they are withheld. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-B, 1099-DIV, 1099-G, 1099-K, 1099-MISC, 1099-NEC, 1099-OID, and 1099-R may also show state and local income taxes withheld.

Estimated tax payments. You can deduct estimated tax payments you made during the year to a state or local government. However, you must have a reasonable basis for making the estimated tax payments. Any estimated state or local tax payments that aren't made in good faith at the time of payment aren't deductible.

Example. You made an estimated state income tax payment. However, the estimate of your state tax liability shows that you will get a refund of the full amount of your estimated payment. You had no reasonable basis to believe you had any additional liability for state income taxes and you can't deduct the estimated tax payment.

Refund applied to taxes. You can deduct any part of a refund of prior-year state or local income taxes that you chose to have credited to your 2023 estimated state or local income taxes.

Don't reduce your deduction by either of the following items.

- Any state or local income tax refund (or credit) you expect to receive for 2023.
- Any refund of (or credit for) prior-year state and local income taxes you actually received in 2023.

However, part or all of this refund (or credit) may be taxable. See *Refund (or credit) of state or local income taxes*, later.

Separate federal returns. If you and your spouse file separate state, local, and federal income tax returns, each of you can deduct on your federal return only the amount of your own state and local income tax that you paid during the tax year.

Joint state and local returns. If you and your spouse file joint state and local returns and separate federal returns, each of you can deduct on your separate federal return a part of the state and local income taxes paid during the tax year. You can deduct only the amount of the total taxes that is proportionate to your gross income compared to the combined gross income of you and your spouse. However, you can't deduct more than the amount you actually paid during the year. You can avoid this calculation if you and your spouse are jointly and individually liable for the full amount of the state and local income taxes. If so, you and your spouse can deduct on your separate federal returns the amount you each actually paid.

Joint federal return. If you file a joint federal return, you can deduct the state and local income taxes both of you paid.

Contributions to state benefit funds. As an employee, you can deduct mandatory contributions to state benefit funds withheld from your wages that provide protection against loss of wages. For example, certain states require employees to make contributions to state funds providing disability or unemployment insurance benefits. Mandatory payments made to the following state benefit funds are deductible as state income taxes on Schedule A (Form 1040), line 5a.

- Alaska Unemployment Compensation Fund.

- California Nonoccupational Disability Benefit Fund.
- New Jersey Nonoccupational Disability Benefit Fund.
- New Jersey Unemployment Compensation Fund.
- New York Nonoccupational Disability Benefit Fund.
- Pennsylvania Unemployment Compensation Fund.
- Rhode Island Temporary Disability Benefit Fund.
- Washington State Supplemental Workmen's Compensation Fund.

Employee contributions to private or voluntary disability plans aren’t deductible.

Refund (or credit) of state or local income taxes. If you receive a refund of (or credit for) state or local income taxes in a year after the year in which you paid them, you may have to include the refund in income on Schedule 1 (Form 1040), line 1, in the year you receive it. This includes refunds resulting from taxes that were over withheld, applied from a prior-year return, not figured correctly, or figured again because of an amended return. If you didn't itemize your deductions in the previous year, don't include the refund in income. If you deducted the taxes in the previous year, include all or part of the refund on Schedule 1 (Form 1040), line 1, in the year you receive the refund. For a discussion of how much to include, see *Recoveries* in Pub. 525, Taxable and Nontaxable Income, for more information.

Foreign Income Taxes

Generally, you can take either a deduction or a credit for income taxes imposed on you by a foreign country or a U.S. territory. However, you can’t take a deduction or credit for foreign income taxes paid on income that is exempt from U.S. tax under the foreign earned income exclusion or the foreign housing exclusion. For information on these exclusions, see Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad. For information on the foreign tax credit, see Pub. 514.

State and Local General Sales Taxes

You can elect to deduct state and local general sales taxes, instead of state and local income taxes, as an itemized deduction on Schedule A (Form 1040), line 5a. You can use either your actual expenses or the state and local sales tax tables to figure your sales tax deduction.

Actual expenses. Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) if the tax rate was the same as the general sales tax rate.

Food, clothing, and medical supplies. Sales taxes on food, clothing, and medical supplies are deductible as a general sales tax even if the tax rate was less than the general sales tax rate.

Motor vehicles. Sales taxes on motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. However, if you paid sales tax on a motor vehicle at a rate higher than the general sales tax, you can deduct only the amount of the tax that you would have paid at the general sales tax rate on that vehicle. Include any state and local general sales taxes paid for a leased motor vehicle. For purposes of this section, motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles.

If you use the actual expenses method, you must have receipts to show the general sales taxes paid.

Trade or business items. Don't include sales taxes paid on items used in your trade or business on Schedule A (Form 1040). Instead, go to the instructions for the form you are using to report business income and expenses to see if you can deduct these taxes.

Optional sales tax tables. Instead of using your actual expenses, you can figure your state and local general sales tax deduction using the state and local sales tax tables in the Instructions for Schedule A (Form 1040). You may also be able to add the state and local general sales taxes paid on certain specified items.

Your applicable table amount is based on the state where you live, your income, and your family size. Your income is your adjusted gross income plus any nontaxable items such as the following.

- Tax-exempt interest.
- Veterans’ benefits.
- Nontaxable combat pay.
- Workers’ compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions, excluding rollovers.
- Public assistance payments.

If you lived in different states during the same tax year, you must prorate your applicable table amount for each state based on the days you lived in each state. See the instructions for Schedule A (Form 1040), line 5a, for details.

State and Local Real Estate Taxes

Deductible real estate taxes are any state and local taxes on real property levied for the general public welfare. You can deduct these taxes only if they are assessed uniformly against all property under the jurisdiction of the taxing authority. The proceeds must be for general community or governmental purposes and not be a payment for a special privilege granted or service rendered to you.

Deductible real estate taxes generally don’t include taxes charged for local benefits and improvements that increase the value of the property. They also don’t include itemized charges for services (such as trash collection) assessed against specific property or certain people, even if the charge is paid to the taxing authority. For more information about taxes and charges that aren’t deductible, see *Real Estate-Related Items You Can’t Deduct*, later.

Tenant-shareholders in a cooperative housing corporation. Generally, if you are a tenant-stockholder in a cooperative housing corporation, you can deduct the amount paid to the corporation that represents your share of the real estate taxes the corporation paid or incurred for your dwelling unit. The corporation should provide you with a statement showing your share of the taxes. For more information, see *Special Rules for Cooperatives* in Pub. 530.

Division of real estate taxes between buyers and sellers. If you bought or sold real estate during the year, the real estate taxes must be divided between the buyer and the seller.

The buyer and the seller must divide the real estate taxes according to the number of days in the real property tax year (the period to which the tax is imposed relates) that each owned the property. The seller is treated as paying the taxes up to, but not including, the date of sale. The buyer is treated as paying the taxes beginning with the date of sale. This applies regardless of the lien dates under local law. Generally, this information is included on the settlement statement provided at the closing.

If you (the seller) can’t deduct taxes until they are paid because you use the cash method of accounting, and the buyer of your property is personally liable for the tax, you are considered to have paid your part of the tax at the time of the sale. This lets you deduct the part of the tax to the date of sale even though you didn’t actually pay it. However, you must also include the amount of that tax in the selling price of the property. The buyer must include the same amount in his or her cost of the property.

You figure your deduction for taxes on each property bought or sold during the real property tax year as follows.

Worksheet 11-1. **Figuring Your State and Local Real Estate Tax Deduction**

Keep for Your Records

1. Enter the total state and local real estate taxes for the real property tax year . . . . _______

2. Enter the number of days in the real property tax year that you owned the property . . . . _______

3. Divide line 2 by 365 (for leap years, divide line 2 by 366) . . . _______

4. Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b _______

Note. Repeat steps 1 through 4 for each property you bought or sold during the real property tax year. Your total deduction is the sum of the line 4 amounts for all of the properties.

Real estate taxes for prior years. Don’t divide delinquent taxes between the buyer and seller if the taxes are for any real property tax year before the one in which the property is sold. Even if the buyer agrees to pay the delinquent taxes, the buyer can’t deduct them. The buyer must add them to the cost of the property. The seller can deduct these taxes paid by the buyer. However, the seller must include them in the selling price.

Examples. The following examples illustrate how real estate taxes are divided between buyer and seller.

Example 1. Dennis and Beth White's real property tax year for both their old home and their new home is the calendar year, with payment due August 1. The tax on their old home, sold on May 7, was $620. The tax on their new home, bought on May 3, was $732. Dennis and Beth are considered to have paid a proportionate share of the real estate taxes on the old home even though they didn’t actually pay them to the taxing authority. On the other hand, they can claim only a proportionate share of the taxes they paid on their new property even though they paid the entire amount.

Dennis and Beth owned their old home during the real property tax year for 126 days (January 1 to May 6, the day before the sale). They figure their deduction for taxes on their old home as follows.

Worksheet 11-1. **Figuring Your State and Local Real Estate Tax Deduction — Taxes on Old Home** 1.

1	Enter the total state and local real estate taxes for the real property tax year . . .	$620
2.	Enter the number of days in the real property tax year that you owned the property	126
3.	Divide line 2 by 365 (for leap years, divide line 2 by 366)	0.3452
4.	Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b .	$214

Since the buyers of their old home paid all of the taxes, Dennis and Beth also include the $214 in the selling price of the old home.

(The buyers add the $214 to their cost of the home.)

Dennis and Beth owned their new home during the real property tax year for 243 days (May 3 to December 31, including their date of purchase). They figure their deduction for taxes on their new home as follows.

Worksheet 11-1. **Figuring Your State and Local Real Estate Tax Deduction — Taxes on Old Home** 1.

1	Enter the total state and local real estate taxes for the real property tax year . . .	$732
2.	Enter the number of days in the real property tax year that you owned the property	243
3.	Divide line 2 by 365 (for leap years, divide line 2 by 366)	0.6658

4. Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b . $487

Since Dennis and Beth paid all of the taxes on the new home, they add $245 ($732 paid less $487 deduction) to their cost of the new home. (The sellers add this $245 to their selling price and deduct the $245 as a real estate tax.)

Dennis and Beth's real estate tax deduction for their old and new homes is the sum of $214 and $487, or $701. They will enter this amount on Schedule A (Form 1040), line 5b.

Example 2. George and Helen Brown bought a new home on May 3, 2023. Their real property tax year for the new home is the calendar year. Real estate taxes for 2022 were assessed in their state on January 1, 2023. The taxes became due on May 31, 2023, and October 31, 2023.

The Browns agreed to pay all taxes due after the date of purchase. Real estate taxes for 2022 were $680. They paid $340 on May 31, 2023, and $340 on October 31, 2023. These taxes were for the 2022 real property tax year. The Browns can't deduct them since they didn't own the property until 2023. Instead, they must add $680 to the cost of their new home.

In January 2024, the Browns receive their 2023 property tax statement for $752, which they will pay in 2024. The Browns owned their new home during the 2023 real property tax year for 243 days (May 3 to December 31). They will figure their 2024 deduction for taxes as follows.

Worksheet 11-1. **Figuring Your State and Local Real Estate Tax Deduction — Taxes on Old Home** 1.

1	Enter the total state and local real estate taxes for the real property tax year . . .	$752
2.	Enter the number of days in the real property tax year that you owned the property	243
3.	Divide line 2 by 365 (for leap years, divide line 2 by 366)	0.6658
4.	Multiply line 1 by line 3. This is your deduction. Enter it on Schedule A (Form 1040), line 5b .	$501

The remaining $251 ($752 paid less $501 deduction) of taxes paid in 2024, along with the $680 paid in 2023, is added to the cost of their new home.

Because the taxes up to the date of sale are considered paid by the seller on the date of sale, the seller is entitled to a 2023 tax deduction of $931. This is the sum of the

$680 for 2022 and the $251 for the 122 days the seller owned the home in 2023. The seller must also include the $931 in the selling price when they figure the gain or loss on the sale. The seller should contact the Browns in January 2024 to find out how much real estate tax is due for 2023.

Form 1099-S. For certain sales or exchanges of real estate, the person responsible for closing the sale (generally, the settlement agent) prepares Form 1099-S, Proceeds From Real Estate Transactions, to report certain information to the IRS and to the seller of the property. Box 2 of Form 1099-S is for the gross proceeds from the sale and should include the portion of the seller's real estate tax liability that the buyer will pay after the date of sale. The buyer includes these taxes in the cost basis of the property, and the seller both deducts this amount as a tax paid and includes it in the sales price of the property.

For a real estate transaction that involves a home, any real estate tax the seller paid in advance but that is the liability of the buyer appears on Form 1099-S, box 6. The buyer deducts this amount as a real estate tax, and the seller reduces their real estate tax deduction (or includes it in income) by the same amount. See *Refund (or rebate)*, later.

Taxes placed in escrow. If your monthly mortgage payment includes an amount placed in escrow (put in the care of a third party) for real estate taxes, you may not be able to deduct the total amount placed in escrow. You can deduct only the real estate tax that the third party actually paid to the taxing authority. If the third party doesn’t notify you of the amount of real estate tax that was paid for you, contact the third party or the taxing authority to find the proper amount to show on your return.

Tenants by the entirety. If you and your spouse held property as tenants by the entirety and you file separate federal returns, each of you can deduct only the taxes each of you paid on the property.

Divorced individuals. If your divorce or separation agreement states that you must pay the real estate taxes for a home owned by you and your spouse, part of your payments may be deductible as alimony and part as real estate taxes. See *Payments to a third party* in Pub. 504 for more information.

Ministers' and military housing allowances. If you are a minister or a member of the uniformed services and receive a housing allowance that you can exclude from income, you still can deduct all of the real estate taxes you pay on your home.

Refund (or rebate). If you received a refund or rebate in 2023 of real estate taxes you paid in 2023, you must reduce your deduction by the amount refunded to you. If you received a refund or rebate in 2023 of real estate taxes you deducted in an earlier year, you generally must include the refund or rebate in income in the year you receive it. However, the amount you include in income is limited to the amount of the deduction that reduced your tax in the earlier year. For more information, see Recoveries in Pub. 525.