**Tax Tips
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**Income Tax Deductions vs. Tax Credits… Which One Is Better?**

While a deduction can reduce the amount of taxable income, credits can directly reduce the amount of tax owed, so they offer a greater tax benefit. Sometimes, credits can be refundable, which means that they might generate a refund for you even when you don’t owe tax. Below are some examples of different types of credits and deductions available for individual taxpayers. Keep in mind that *each credit and/or deduction has specific criteria that need to be met* in order to qualify.

**Credits for Individuals**

* Child Tax Credit
* Dependent Care Credit
* Earned Income Tax Credit
* Adoption Credit
* Saver’s Credit
* Foreign Tax Credit
* Excess Social Security and RRTA tax withheld
* Credit for Tax on Undistributed Capital Gain
* Credit for Prior Year Minimum Tax
* Residential Energy Credits
* Plug-in Electric Drive Vehicle Credit
* Premium Tax Credit (marketplace health care insurance credit)
* American Opportunity Credit and Lifetime Learning Credit

If you feel you might qualify for one of these credits, be sure to ask your tax preparer about them.

**Deductions for Individuals**

The IRS provides each taxpayer with a standard deduction that reduces their adjusted gross income so they pay less tax. The amounts change each year, and are determined by filing status. In the 2022 tax year, here is a sampling of the standard deduction amounts.

Single; Married Filing Separately $12,950

Married Filing Jointly; Qualifying Widow(er) $25,900

Head of Household $19,400

Most taxpayers take the standard deduction, but the law allows you to take more if you have more qualifying deductions than the limits above. These are called itemized deductions and can include personal property tax, real estate tax, sales tax, charitable contributions, gambling losses, interest expense, home mortgage interest paid, and moving expenses, to name a few.

Students and teachers may be able to take education deductions, which include student loan interest paid, work-related educational expenses, and educational expenses paid by a teacher.

Self-employed individuals can claim work-related deductions related to business expenses, business use of car, and business use of home on Schedule C.

Health care deductions, such as medical and dental expenses or Health Savings Account (HSA) contributions can be deductible to those who participate in these plans.

For investors, deductions may include sale of home, Individual Retirement Arrangement (IRA) contributions, capital losses, bad debts, qualified opportunity zone investments, and debt forgiveness.

If you’d like to study deductions and credits on your own, the IRS website is a wealth of knowledge. If you don’t want to do that, you can always ask your tax professional. Filling out your tax organizer in a complete and thorough manner is the very first step to helping your tax pro identify the plethora of credits and deductions you may qualify for.

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Do you know the different types of credits and deductions available for individual taxpayers? Learn about them in our latest blog article: [link]

The Child Tax Credit, Dependent Care Credit, Earned Income Tax Credit, and Adoption Credit are just some of the few tax credits available to qualified individual taxpayers. Learn more in our latest blog article: [link]

#BusinessTip: While a deduction can reduce the amount of taxable income, credits can directly reduce the amount of tax owed, so they offer a greater tax benefit. Learn more here: [link]

The IRS provides each taxpayer with a standard deduction that reduces their adjusted gross income so they pay less tax. This amount changes yearly and is dependent on filing status. Learn more in our latest blog article: [link]

DID YOU KNOW… while most taxpayers take the standardized deduction, the law allows you to take more if you have more qualifying deductions than the limits set by the standardized amount. These are known as itemized deductions. Learn more here: [link]

Filling out a tax organizer in a complete and thorough manner is the very first step to helping your tax pro identify the plethora of credits and deductions you may qualify for. Learn more about tax credits and deductions here: [link]

Keep in mind thateach tax credit and/or deduction has specific criteria that need to be met in order to qualify. Find out more in our latest blog: [link]