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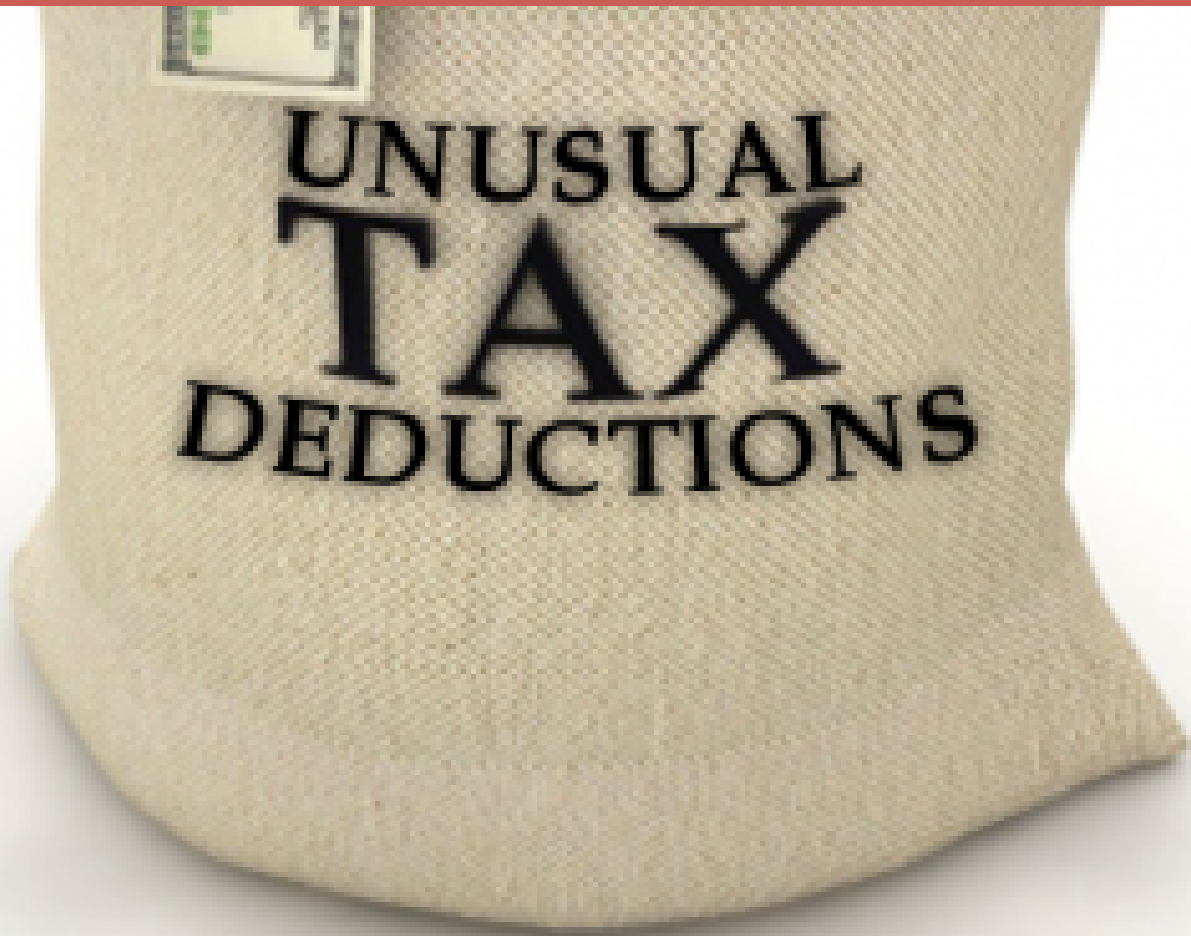
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Dec. 26, 2014

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UNUSUAL TAX DEDUCTIONS

[This is part of a [series of articles on tax breaks temporarily extended](#) by tax legislation late in 2014.]

If you've been shopping for a car this year-end, you may want to wrap up a deal before the calendar turns to 2015, at least from a tax perspective. Why is that? Under the new tax law signed by the president on December 19, taxpayers can claim an optional tax deduction on their personal 2014 returns for state sales tax paid this year. And the sales tax you pay on a vehicle – usually, a significant amount – may push you over the top.

As with more than 50 other tax breaks, the provision allowing taxpayers to deduct

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for those living in one of the seven states with no income tax – Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming – or in states with relatively low tax rates. Everyone else falls in between.

If you elect to deduct states sales tax, you can write off the actual sales tax you paid – in which case you'll need receipts you back up your claims – or an IRS-approved table listing amounts based on your state, income and family size. Usually, the actual receipt method will produce a larger deduction, and you can add on the sales tax paid for a new car in 2014, but it requires diligent recordkeeping throughout the year. Given that the optional deduction wasn't reinstated until late in December, it's unlikely that most of your clients will have the necessary records.

Silver tax lining: If you're using the IRS table, you can increase your sales tax deduction by the amount of sales tax paid on:

- The purchase or lease of a vehicle,
- The purchase of a boat or aircraft or
- The purchase or substantial addition or renovation of a home.

The extra sales tax for these “big-ticket items” can make a big difference on your 2014 return. For example, if you're a resident of Illinois with a family of four and an income of \$150,000, the amount of sales tax you may claim under the IRS table is \$1,248. However, if you buy a new car this year and it costs you \$2,500 in sales tax, the total amount deductible under this method jumps to \$3,748—about three times as much as before.

Note that both state and local income taxes and state sales taxes are claimed as itemized deductions. Such deductions for upper-income taxpayers are subject to a reduction on 2014 returns under the “Pease rule.”

Finally, certain other special rules may come into play if you file separately as a

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