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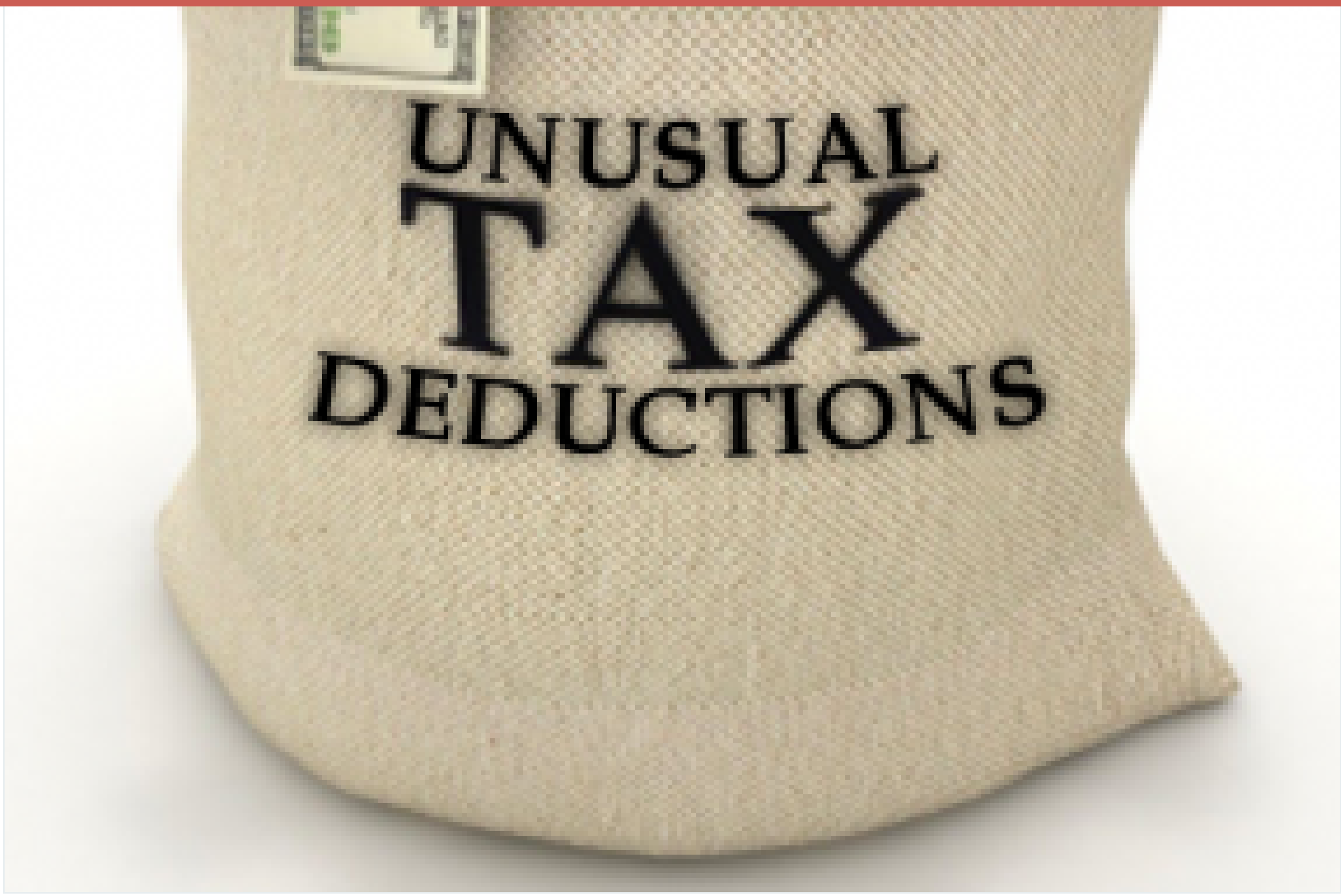

[This is part of a series of articles on 2014 tax return elections.]

The optional sales tax deduction is a no-brainer for some individual taxpayers. If you live in one of the seven states with no state income tax – Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming — you should elect to deduct your state sales tax on your 2014 return, no questions asked. Conversely, if you reside in a state with high state income tax rates, like California and New York, deducting your state income taxes is usually the better option, especially if you also owe a local income tax.

But the choice for everyone else in the middle isn't as clear. And a slight twist in the

Prevention Act (TIPA) revived it retroactive to January 1, 2014, but the TIPA extension only lasted through December 31, 2014. As things stand now, this option isn't available for 2015, unless Congress restores it once again.

If you elect to deduct state sales tax instead of state income tax, you can tally the receipts you've kept for purchases in 2014. But that's a hassle and most taxpayers don't keep all the records needed to support their claims. Alternatively, you may deduct a flat amount using an IRS table based on the state where you reside and the size of your family. Icing on the cake: In addition to the IRS table amount, you can add the sales tax for these "big-ticket items":

- Lease or purchase of a vehicle,
- Purchase of a boat or aircraft; and
- Purchase or substantial addition or renovation to a home.

In some cases, the extra sales tax paid for qualified big-ticket items may be enough to justify taking the state sales tax deduction.

Example: A resident of Pennsylvania, who claims four dependents on his return, has a taxable income of $100,000. The state sales tax rate is a flat 3.07 percent so the taxpayer owes $3,070 in state income tax. According to the IRS table, he's entitled to a $890 sales tax deduction, or considerably less. But the taxpayer also bought a $50,000 car in 2014 and paid the state sales tax at a rate of 6 percent, or $3,000. Now the combined sales tax deduction is higher than the state income tax deduction – $3,890 to $3,070.

The IRS provides a handy calculator at http://www.irs.gov/Individuals/Sales-Tax-Deduction-Calculator to help figure things out.

Finally, advise married clients who file separately about a special tax rule. If you itemize deductions, both of you must take either the state income tax deduction or the sales tax deduction. The tax law doesn't allow you to mix-and-match.