CPA
Practice Advisor

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Buying a home? Working a summer job? Volunteering? Activities that are common in the summer often qualify for tax credits or deductions. And, while summertime and part-time workers may not earn enough to owe federal income tax, they should remember to file a return to get a refund for taxes withheld early next year.

Here are some summertime tax tips from the IRS that can help taxpayers during tax season next year:

- **Marital tax bliss.** Newlyweds should report any name change to the Social Security Administration before filing next year's tax return. Then, report any address change to the United States Postal Service, employers and the IRS to ensure receipt of tax-related items.

employees receive a Form W-2, Wage and Tax Statement, from their employer — even if they don't work there anymore — to account for the summer's work by January 31 of the following year. The Form W-2 shows the amount of earnings, withholdings for state and federal taxes, Social Security, Medicare wages and tips. Employees use the information on this form when they file their annual tax returns.

- **Worker classification matters.** Business owners must correctly determine whether summer workers are employees or independent contractors. Independent contractors are not subject to withholding, making them responsible for paying their own income taxes plus Social Security and Medicare taxes. Workers can avoid higher tax bills and lost benefits if they know their proper status.

Though the higher standard deduction means fewer taxpayers are itemizing their deductions, those that still plan to itemize next year should keep these tips in mind:

- **Deducting state and local income, sales and property taxes.** The total deduction that taxpayers can deduct for state and local income, sales and property taxes is limited to a combined, total deduction of $10,000 or $5,000 if married filing separately. Any state and local taxes paid above this amount cannot be deducted.
- **Refinancing a home.** The deduction for mortgage interest is limited to interest paid on a loan secured by the taxpayer's main home or second home that they used to buy, build, or substantially improve their main home or second home.
- **Buying a home.** New homeowners buying after Dec. 15, 2017, can only deduct mortgage interest they pay on a total of $750,000, or $375,000 if married filing separately, in qualifying debt for a first and second home. For existing mortgages if the loan originated on or before Dec. 15, 2017, taxpayers continue to deduct interest on a total of $1 million in qualifying debt secured by first and second homes.
- **Donate items.** Deduct money. Those long-unused items in good condition found during a summer cleaning and donated to a qualified charity may qualify for a tax

deduction. Taxpayers must itemize deductions to deduct charitable contributions

and losses next year.

The last two tips are for taxpayers who have not yet filed but may be due a refund and those who may need to adjust their withholding.

- **Refunds require a tax return.** Although workers may not have earned enough money from a summer job to require filing a tax return, they may still want to file when tax time comes around. It is essential to file a return to get a refund of any income tax withheld. There is no penalty for filing a late return for those receiving refunds, however, by law, a return must be filed within three years to get the refund. See the Interactive Tax Assistant, Do I need to file a tax return?
- **Check withholding.** Newlyweds, summertime workers, homeowners and every taxpayer in between should take some time this summer to check their tax withholding to make sure they are paying the right amount of tax as they earn it throughout the year. The Withholding Calculator on IRS.gov helps employees estimate their income tax, credits, adjustments and deductions and determine whether they need to adjust their withholding by submitting a new Form W-4, Employee's Withholding Allowance Certificate. Taxpayers should remember that, if needed, they should submit their new W-4 to their employer, not the IRS.