2018 Standard Deduction

Single - $12,000

Single over 65 - $13,600

HOH - $18,000

HOH over 65 - $19,600

MFJ - $24,000

MFJ one over 65 - $25300

MFJ both over 65 - $26600

If you itemize on your tax return, you’re really only getting the benefit from the deductions that are greater than your freebie standard deduction in any given year. For example, if I file MFJ and my itemized deductions are $25,000, I am only getting the benefit of $1,000 over the freebie standard deduction of $24,000. If my itemized deductions are only $15,000, I still get to take the $24,000. That’s an extra $9,000 I can deduct.

One of the ways that you can get the most out of your deductions is “bunching”. Bunching is timing your tax-deductible items to maximize your itemized deductions in one year and take the standard deductions in the next.

Let’s say that my husband and I normally donate $10,000 to charitable organizations a year. In order to bunch, we would give normally during the year and then in December we would make a large donation that would equal what we would normally donate the following year. Some investment firms offer Donor Advised funds where you put the money in a fund, take the deduction that year and then you can direct the funds to be distributed the following year.

It gets a little tricky if you are trying to bunch your state taxes or property taxes. Beginning in 2018, you will only be able to deduct $10,000 for state and local taxes. For some of you, you are already above that limit. Bunching here would mean paying your 4th quarter estimate in December and then the following year pay your 4th quarter estimate in January. One year you would have paid 5 estimated payments and the next year you would have paid only 3. In Oregon, you can also bunch property taxes by choosing to lump property taxes by paying 2/3 of the prior year’s assessment in the lumping year along with 100% of the November assessment for the current year.

Let us know if you have any questions. We would love to help!