

Subject 402

Taxes

There are basically three types of itemized deductible non-business taxes: foreign income tax, real property tax, and personal property tax. To be deductible, the tax must have been charged to you and paid by you. Foreign income tax is any tax on income paid by you to any foreign government.

Real property taxes are state, local, and foreign taxes such as real estate taxes. Many states and counties also impose local benefit taxes. These taxes are deductible if they were for maintenance or repair or for interest charges related to those benefits. If only a part of the taxes for maintenance or repair was interest, you must be able to separate that part to claim the deduction. (If you cannot separate the amounts, then none of the tax is deductible.)

Other local taxes for benefits and improvements that increase the value of property cannot be deducted. These include assessments for streets, sidewalks, and sewer lines. Homeowner's association charges you paid for recreational facilities and for maintaining common areas are not deductible. Many people had the banking institution which handles their mortgage also pay their real estate taxes. A portion of each monthly mortgage payment went into an escrow account and periodically the bank paid the taxes to the government. You may only deduct the amount actually paid to the taxing authority during the tax year.

Personal property taxes that are deductible are only those based on the value of personal property (such as boat or car) and must be charged to you on a yearly basis. These amounts are deducted on Form **AR3**, Itemized Deduction Schedule.

Taxes that are not deductible include estate, succession, inheritance, sales and use, and federal income taxes. The cost of license plates or driver's licenses, motor fuel, and special motor fuel taxes are also not deductible.