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Best Tax Deductions On Chopping Block?

Should American taxpayers worry they'll lose hallowed tax deductions like [home mortgage interest](#), charitable contributions, state taxes or pension plan contributions? As always, there's lots of talk and many proposals floating across the murky swamp of Washington. Given the debt limit and deficit, it's likely [taxes will go up](#), if not immediately then eventually.



But as a tax lawyer for over [30 years](#), watchful waiting seems appropriate. I could be wrong, but home mortgage interest and [charitable contribution](#) deductions are firmly entrenched and have powerful lobbying interests behind them. It's hard to even *imagine* such major changes despite the heated climate.

Nevertheless, the [IRA charitable donations](#) rule, a popular provision that allows senior citizens of a certain age to contribute up to \$100,000 of IRA assets to a tax-free charity, was eradicated. Although these donations were not deductible, they also did not constitute income, helping lower the projected cost of Social Security payments or Medicare premiums.

Will charities receive money without tax deductions? Maybe, but it will hardly be the same. Remember when President Obama [previously](#) stumbled into this issue with charities?

In the aftermath of the [mortgage meltdown](#) and plummeting house prices, are we ready for a chop to the home mortgage deduction? [Not likely](#). But here's where there are interesting ideas.

In 2011, [Senator Tom Coburn](#) (R-OK) proposed chopping deductible mortgage interest from \$1.1M to \$500k for a primary residence, not a second home. In states like California, that may be unrealistic. More recently, Republican presidential candidate [Mitt Romney](#) said he would "probably eliminate for high-income people the second-home mortgage deduction."

Even state officials are joining the mortgage deduction debate. Kansas Governor Sam Brownback and Maryland Governor Martin O'Malley have called for eliminating or reducing the deduction at the state level. See [Mortgage-Tax Break Curbed by Housing Slump](#) and [The Tax Change That Threatens Homeownership](#).

[Here](#) is a great rundown of things Congress was considering in its current flummoxed state. I'm shocked that long term capital gain rates remain at 15%, and have repeatedly figured Congress would bump them to 20%. That still could happen. For a guide to changes made for the 2012 tax year and to changes in 2011 tax returns, click [here](#).

I hope there is major tax reform. I believe a flat tax with no (or few) deductions has a lot to commend it. But do I think such radical surgery is likely? Not hardly. For that reason, I'd try not to sweat the details at least until they begin to **really** take shape.

For more, see:

[Big Changes Ahead for 2013 Tax Season!](#)

[Preparing For D-Day: When Congress Takes Your Deductions](#)

[Key tax deductions left hanging](#)

[Strange But Legit Tax Deductions](#)

[More Strange Tax Deductions](#)

[Still More Strange Tax Deductions](#)

[How Much Is Your Tax Deduction Worth?](#)

[Home Mortgage Interest Deduction is Pure Poetry](#)

[Claiming Tax Deductions For Clothing?](#)

[Teacher's Tax Trouble: No Tax Deductions For Supplies](#)

[Is Your Bathroom Your Home Office?](#)

[Ten Tips For Deducting Your 'Hobby'](#)

[Taxing Suicide Kits: Business Or Hobby?](#)

[Adoption Tax Benefits?](#)

[Claiming Tax Deductions For Clothing?](#)

[Kids Spawn \(Limited\) Tax Benefits](#)

[Warning: Not All Home Mortgage Interest Is Tax Deductible](#)

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