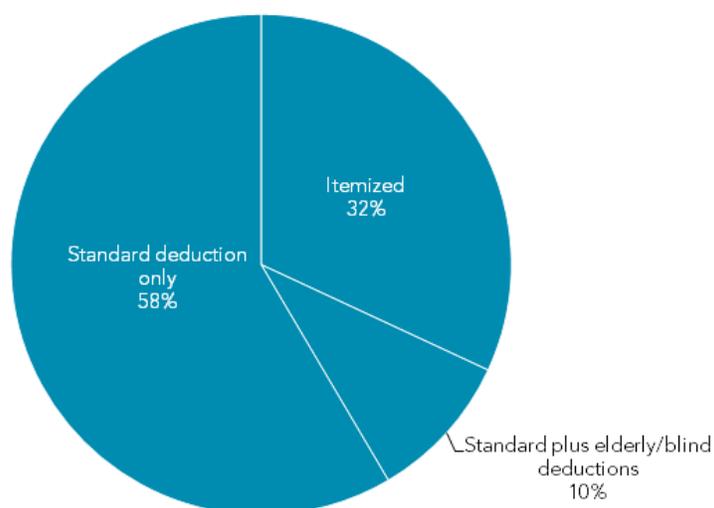


How do the standard and itemized deductions compare?

Both reduce taxable income by the amount of the allowed deduction; the tax savings depend on the taxpayer's bracket. About two-thirds of taxpayers claim the standard deduction (figure 1).

FIGURE 1
Two-Thirds of Taxpayers Take the Standard Deduction
Returns by type of deduction, 2012



Source: Internal Revenue Service, Table 1.3.

Tax filers may choose to take the standard deduction or to itemize the actual amounts spent on allowed deductible expenses. The most common itemized deductions are state and local taxes, mortgage interest, charitable contributions, medical and dental expenses, and casualty and theft losses.

Most taxpayers choose the standard deduction because it is larger than the deductions they can itemize. Others choose that option because it's easier than identifying and totaling the expenses they could itemize or because they do not realize that itemizing would reduce their tax liability.

In a 2002 study, the [Congressional Research Service \(CRS\) estimated](#) that roughly 950,000 tax filers would have saved more than \$470 million on their 1998 tax returns if they had itemized mortgage interest and state and local income taxes instead of claiming the standard deduction. Adding charitable contributions and other taxes to

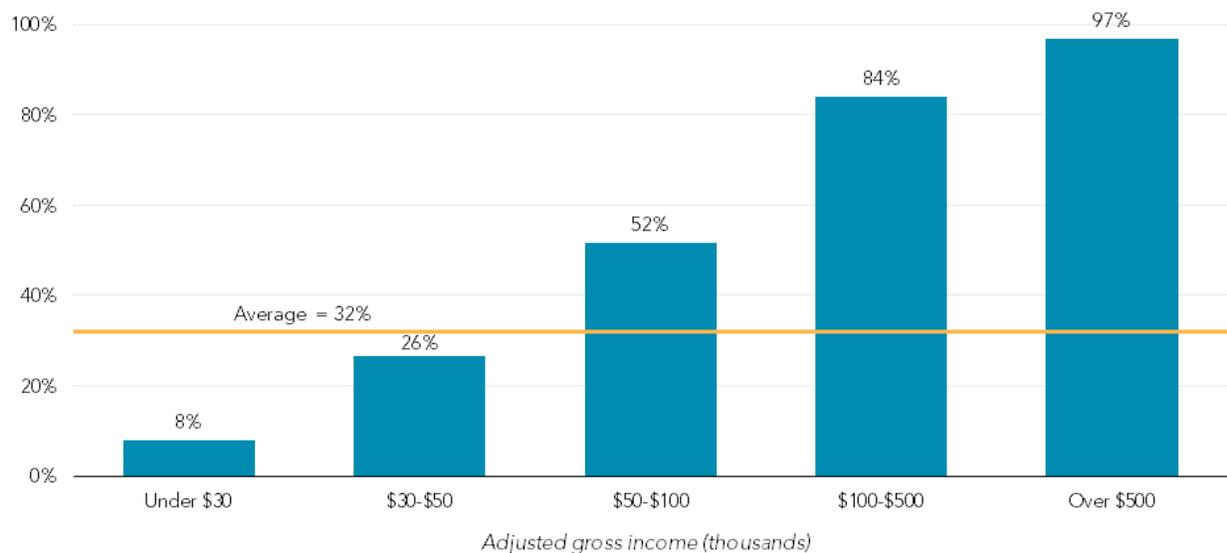
the mix, the CRS found that some 2.2 million taxpayers could have saved nearly \$1 billion by itemizing.

WHO ITEMIZES AND HOW MUCH DO THEY CLAIM?

High-income taxpayers are much more likely to itemize. In 2012, more than 90 percent of tax returns reporting adjusted gross income (AGI) over \$500,000 itemized deductions, compared with just over half of those with AGI between \$50,000 and \$100,000 and less than 10 percent of those with AGI under \$30,000 (figure 2).

FIGURE 2

High Income Tax Filers Were More Likely to Itemize Deductions in 2012
Share of tax units claiming itemized deductions



Source: Internal Revenue Service, Table 1.2.

The limitation on itemized deductions (sometimes called “Pease” after the Ohio congressman who proposed it) reduces deductions for high-income taxpayers by 3 percent of the amount by which their AGI exceeds a threshold—\$258,250 in 2015 (\$284,050 for heads of household, \$309,900 for married couples filing jointly, and half of that for married couples filing separately)—but not by more than 80 percent of deductions claimed. The 2001 tax act phased out the limitation and it disappeared entirely from 2010 through 2012 before the American Taxpayer Relief Act of 2012 restored it in its current form.

HOW MUCH AND WHAT EXPENSES DO ITEMIZERS DEDUCT?

Itemized deductions averaged about \$27,200 in 2012 for the 45.6 million tax units claiming them. The amount claimed rises with income, from just over \$15,000 for taxpayers with AGI under \$50,000 to about \$31,000 for those with AGI between

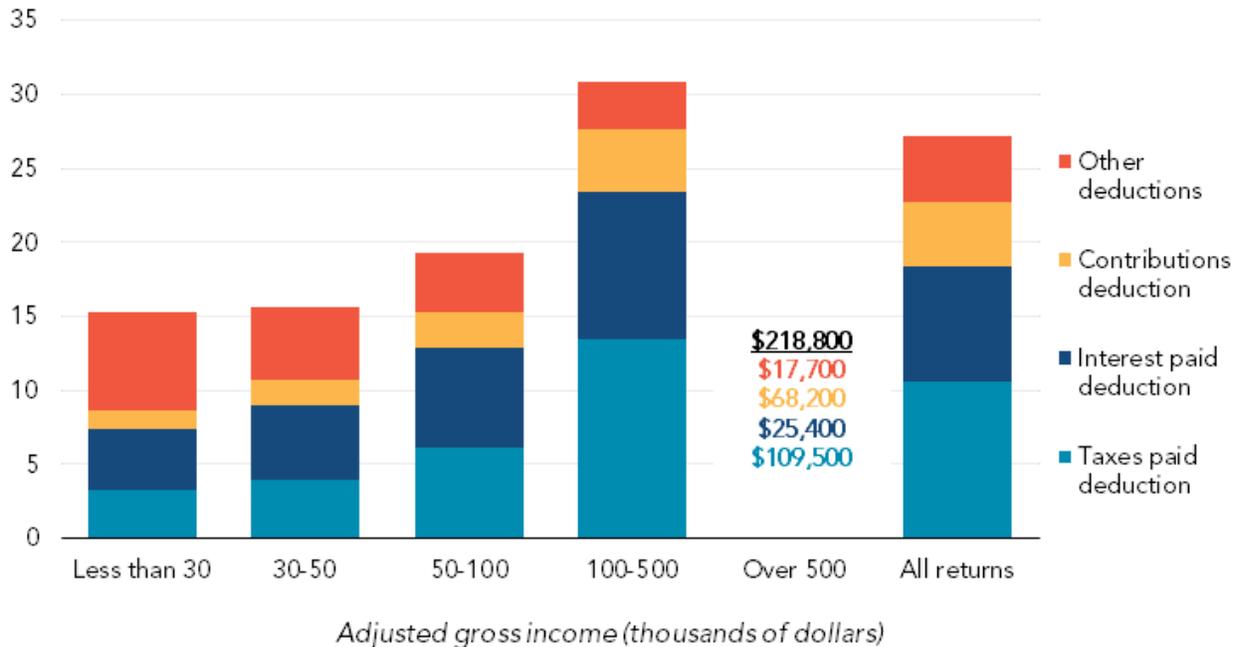
\$100,000 and \$500,000 and nearly \$220,000 for those with AGI over \$500,000 (figure 3).

FIGURE 3

Average Itemized Deductions by Type and AGI 2012



Thousands of dollars

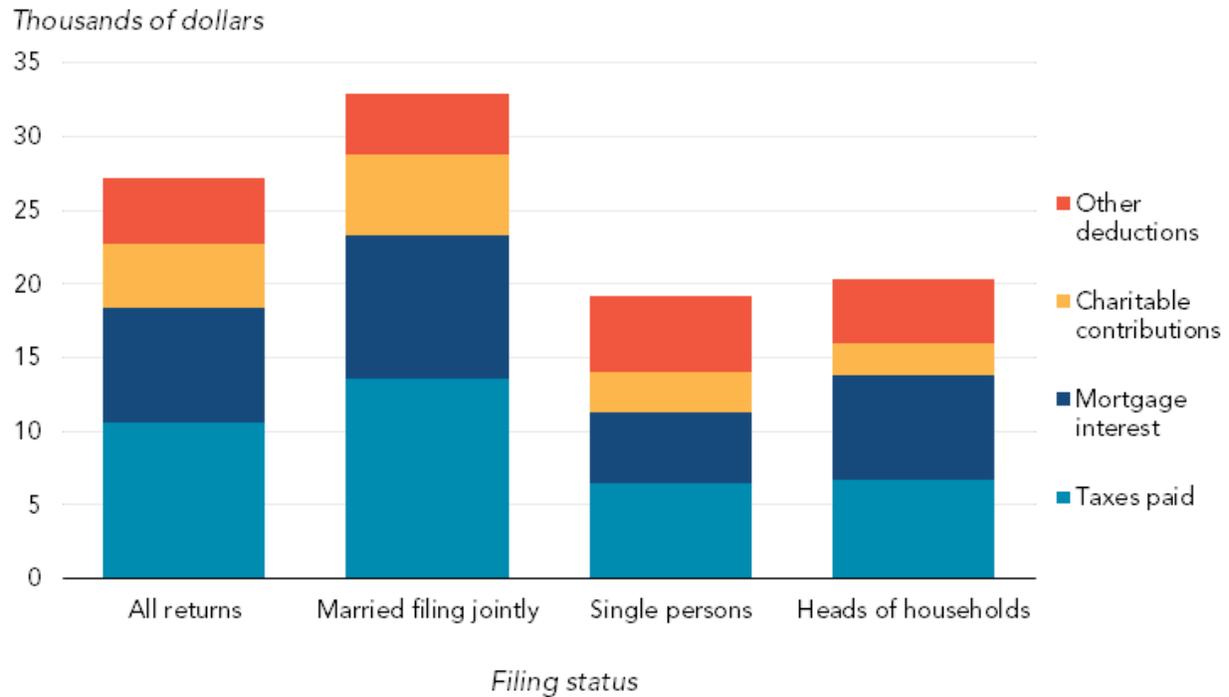


Source: Internal Revenue Service, Table 1.2.

State and local taxes accounted for roughly 40 percent of average itemized deductions in 2012, or about \$10,600. The mortgage and other interest deductions made up another 30 percent, averaging about \$7,800. Charitable contribution and miscellaneous deductions averaged about \$4,400 each, or about one-sixth of total itemized deductions (figure 4).

FIGURE 4

Itemized Deductions by Type and Filing Status 2012



Source: Internal Revenue Service, Table 1.3.

Married couples filing jointly typically claim higher deductions, averaging nearly \$33,000 in 2012. Itemized deductions averaged just over \$19,000 for single filers and about \$20,300 for heads of households. The differences across filing status reflect both the higher standard deduction for joint filers—their itemized deductions must be higher to make itemizing the better choice—and the higher average income of couples relative to unmarried tax filers.

DATA SOURCES

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FURTHER READING

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