

Key Elements of the U.S. Tax System

What is the standard deduction?

INDIVIDUAL INCOME TAX
1/7

Q. What is the standard deduction?

A. The standard deduction reduces a taxpayer's taxable income. It ensures that only households with income above certain thresholds will owe any income tax.

Taxpayers can claim a standard deduction when filing their tax returns, thereby reducing their taxable income and the taxes they owe. In addition to the regular standard deduction, taxpayers can claim an additional deduction if they or their spouse are 65 or older or blind.

Rather than taking the standard deduction, taxpayers can choose to itemize their deductions. In the past, about 70 percent of taxpayers chose to take the standard deduction (figure 1). Most chose it because it was larger than the itemized deductions they could claim, but some did so because it was easier than identifying and totaling the expenses they could itemize or because they did not realize that itemizing would reduce their tax liability.

The Tax Cuts and Jobs Act (TCJA) increased the standard deduction amounts for 2018 well beyond what they would have been in that year, raising the deduction from \$6,500 to \$12,000 for singles, from \$13,000 to \$24,000 for married couples, and from \$9,550 to \$18,000 for heads of household. The additional deduction for those 65 and over or blind is \$1,300 in 2018 (\$1,600 if the person is unmarried and not filing as a surviving spouse). As under prior law, the deduction amounts are indexed for inflation.

By raising the standard deduction together with other restrictions on itemized deductions, TCJA will increase the percentage of taxpayers who will take the standard deduction. The Urban-Brookings Tax Policy Center estimates that about 90 percent of households will take the standard deduction rather than itemizing their deductions in 2018.

THE EFFECT OF TCJA ON TAXABLE INCOME THRESHOLDS

Before 2018, taxpayers could also claim a personal exemption for themselves and their dependents in addition to the standard deduction. Together, the standard deduction and personal exemptions created taxable income thresholds, ensuring that taxpayers with income below those thresholds would not pay any income tax.

For example, in 2017 the standard deduction was \$12,700 for a married couple, \$6,350 for a single filer, and \$9,350 for a head of household and each personal exemption was \$4,050. Thus, the taxable income threshold for a married couple without dependents was \$20,800 (the standard deduction plus two personal exemptions) and the threshold for a single person was \$10,400 (the standard deduction plus one exemption). Couples and singles with income below those amounts did not owe any income tax.

Key Elements of the U.S. Tax System

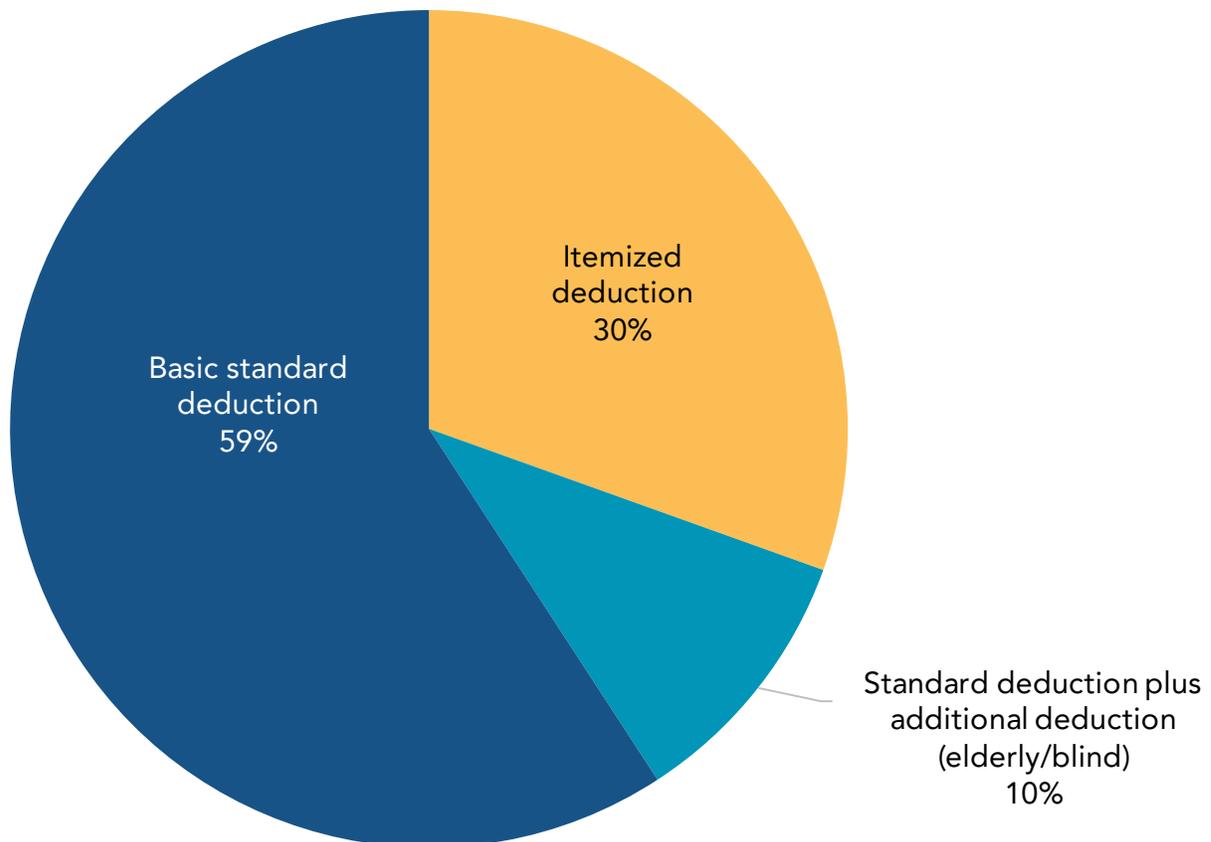
What is the standard deduction?

TCJA raised the stand deduction but also set the personal exemption amount, which would have been \$4,150 in 2018, to zero. The loss of personal exemptions offset some of the gain from higher standard deductions, but the net result was a small increase in the taxable income threshold for both singles and couples (table 1). Because most of the individual income tax provisions of TCJA expire after 2025, the taxable income thresholds will revert to what they would have been under prior law unless Congress extends or makes permanent current law.

The zero personal exemption amount also applies to the exemptions taxpayers could claim for each of their dependents. However, TCJA also increased the child tax credit, which offset the loss of personal exemptions for many taxpayers with dependents. In many cases, taxpayers with income above the taxable income thresholds can still pay no income tax if they qualify for tax credits such as the child tax credit and the earned income tax credit.

FIGURE 1

Returns by Type of Deduction, Tax Year 2016



Source: Internal Revenue Service. Statistics of Income. Table A. "Selected Income and Tax Items for Selected Years (in Current and Constant Dollars)," Tax Year 2016.

Key Elements of the U.S. Tax System

What is the standard deduction?

TABLE 1

Taxable Income Threshold for a Single Filer and a Married Couple with No Dependents
Dollars, 2018



Status	Prior Law			Current Law (post-TCJA)		
	Standard Deduction	Personal Exemption	Taxable Income Threshold	Standard Deduction	Personal Exemption	Taxable Income Threshold
Single	6,500	4,150	10,650	12,000	-	12,000
Married Couple	13,000	4,150	21,300	24,000	-	24,000

Data Sources

Internal Revenue Service. [Statistics of Income](#). Table A. "Selected Income and Tax Items for Selected Years (in Current and Constant Dollars)," Tax Year 2016; and Individual Income Tax Returns. Table 1.2. "All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Marital Status," Tax Year 2016.

Urban-Brookings Tax Policy Center. [Table T18-0002](#). "Impact on the Number of Itemizers of H.R.1, the Tax Cuts and Jobs Act (TCJA), by Expanded Cash Income Percentile, 2018."

———. *Statistics*. "[Personal Exemption and Standard Deduction: 2001–2017](#)."

Further Reading

Joint Committee on Taxation. 2018. "[Overview of the Federal Tax System as in Effect for 2018](#)." JCX-3-18. Washington, DC: Joint Committee on Taxation.

Gale, William G., Hilary Gelfond, Aaron Krupkin, Mark J. Mazur, and Eric Toder. 2018. "[Effects of the Tax Cuts and Jobs Act: A Preliminary Analysis](#)." Urban-Brookings Tax Policy Center.