



## The Standard Deduction and Personal Exemption

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**M**any households reduce their taxable income through the standard deduction and personal exemptions. Both [President Donald Trump](#) and [House Republicans](#) have proposed increasing the standard deduction and eliminating personal exemptions. These changes would simplify tax filing but may benefit some households and hurt others.

### CURRENT STANDARD DEDUCTION AND PERSONAL EXEMPTION AMOUNTS

When filing federal income taxes, a taxpayer may claim the [standard deduction or itemize deductible expenses](#) from a list that includes state and local taxes paid, mortgage interest, and charitable contributions. Both options lower the tax filer's taxable income ([and thus tax](#)).

Most Americans (70 percent) [use the standard deduction](#) because it is larger than the value of the deductions they can itemize. In particular, taxpayers with income below \$100,000 typically use the standard deduction (figure 1).

This year, Congress will consider what may be the biggest tax bill in decades. This is one of a series of briefs the Tax Policy Center has prepared to help people follow the debate. Each focuses on a key tax policy issue that Congress and the Trump administration may address.

This is because the largest itemized deductions are for state and local taxes—which benefits higher earners—and mortgage interest, which only benefits homeowners.

The standard deduction amount varies by filing type, with married couples filing jointly and heads of households (single filers with dependents) receiving larger benefits than single filers (table 1). Filers who are ages 65 and older or blind also receive an additional standard deduction (\$1,250 in 2016).

**TABLE 1**  
**2016 Standard Deduction  
 by Filing Status**



Single	Married, separately	Heads of household	Married, jointly
\$6,300	\$6,300	\$9,300	\$12,600

**Source:** IRS

**Note:** Filers who are age 65 and older or blind receive an additional \$1,250 standard deduction.

Taxpayers and each of their dependents can also claim [personal exemptions](#), which lower taxable income. In 2016, the personal exemption was \$4,050. Thus, a married couple with three children received a maximum exemption of \$20,250, or \$4,050 for each of the five family members. However, the exemptions phase out for wealthier filers. In 2016, a married couple filing jointly began losing their personal exemptions with \$311,300

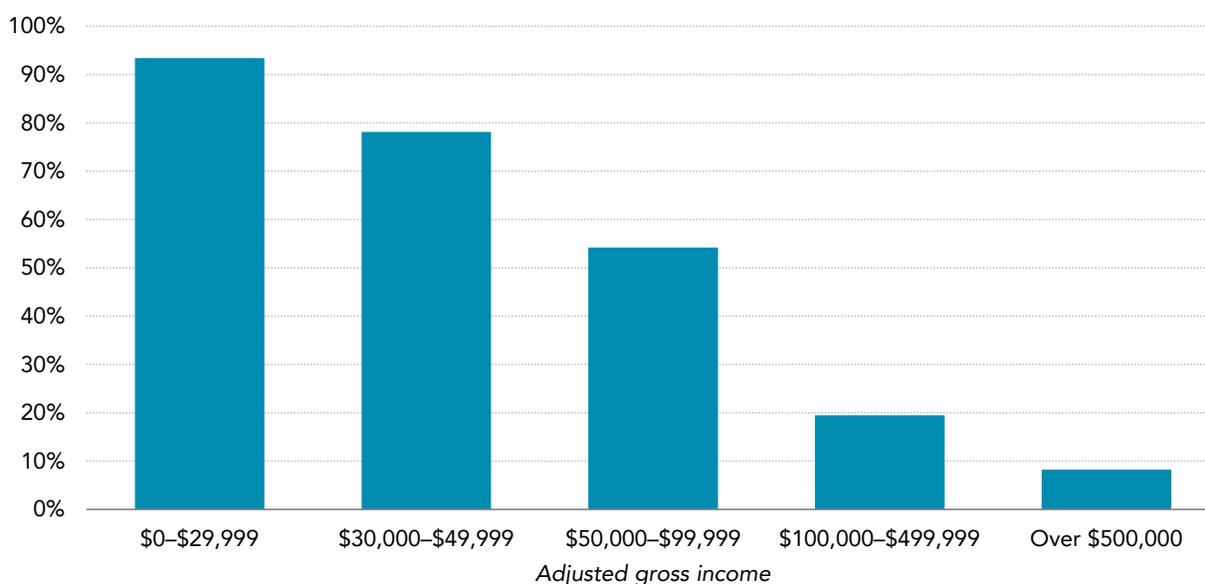
in taxable income and completely lost the benefit at \$433,800 ([income thresholds vary by filing status](#)). The standard deduction and personal exemption are [adjusted annually for inflation](#).

Together, the standard deduction and personal exemptions can significantly reduce a filer's tax payment. For example, if a married couple with three children has \$50,000 in wage income, they would have only \$17,150 in taxable income after subtracting the standard deduction and personal exemptions. (The family may also be able to claim other deductions or credits.)

### LOOMING FEDERAL CHANGES

Both [Trump's campaign tax plan](#) and the [House Republicans' June 2016 tax plan](#) would increase standard deduction amounts, end the additional standard deduction for senior and blind filers, and eliminate personal exemptions.

**FIGURE 1**  
**Share of Tax Filers Taking Standard Deduction in 2014**



**Source:** IRS, Statistics of Income Division. 2016. SOI Tax Stats—Individual Income Tax Returns Publication 1304 (Complete Report), "Table 1.2: All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items," August 31, 2016, <https://www.irs.gov/uac/soi-tax-stats-individual-income-tax-returns-publication-1304-complete-report>.

Trump's plan would increase the standard deduction from \$6,300 to \$15,000 for single filers and from \$12,600 to \$30,000 for married couples filing jointly. He also would eliminate the head of household filing status, so these taxpayers would now be treated as single filers. Thus, their standard deduction would increase from \$9,300 to \$15,000.

The House GOP Plan would increase the standard deduction for singles from \$6,300 to \$12,000, for head of household filers from \$9,300 to \$18,000, and for those married filing jointly from \$12,600 to \$24,000.

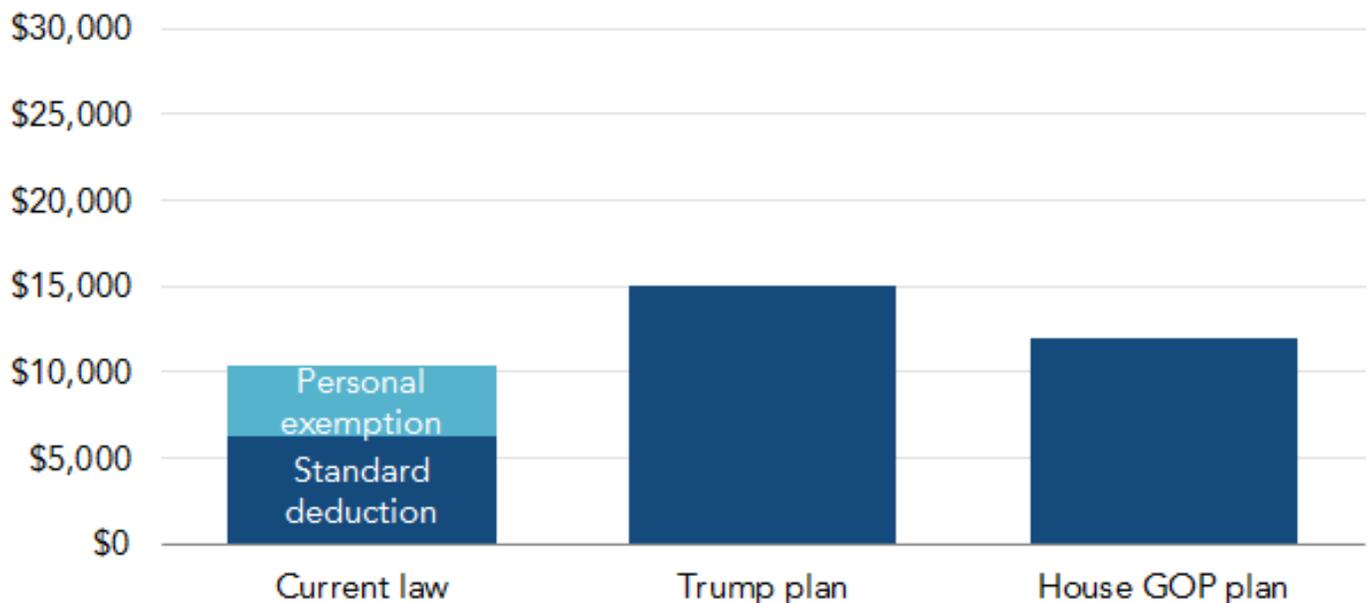
These changes would simplify tax filing by encouraging more filers to take the standard deduction. The [Tax Policy Center estimates](#) Trump's plan would reduce the number of itemizers from 45 million to 18 million, or by 60 percent.

### HOW PROPOSED CHANGES WOULD AFFECT DIFFERENT HOUSEHOLDS

Eliminating the personal exemption and increasing the standard deduction would change households' tax burdens in very different ways, depending on their size and the adults' marital status (figures 2, 3, 4, and 5).

**FIGURE 2**

## Effects of 2016 Tax Proposals for Single Filers with No Children



**Sources:** IRS, Trump tax plan, House GOP tax plan.

**Note:** All amounts from tax year 2016. Both the Trump and House GOP plans eliminate the personal

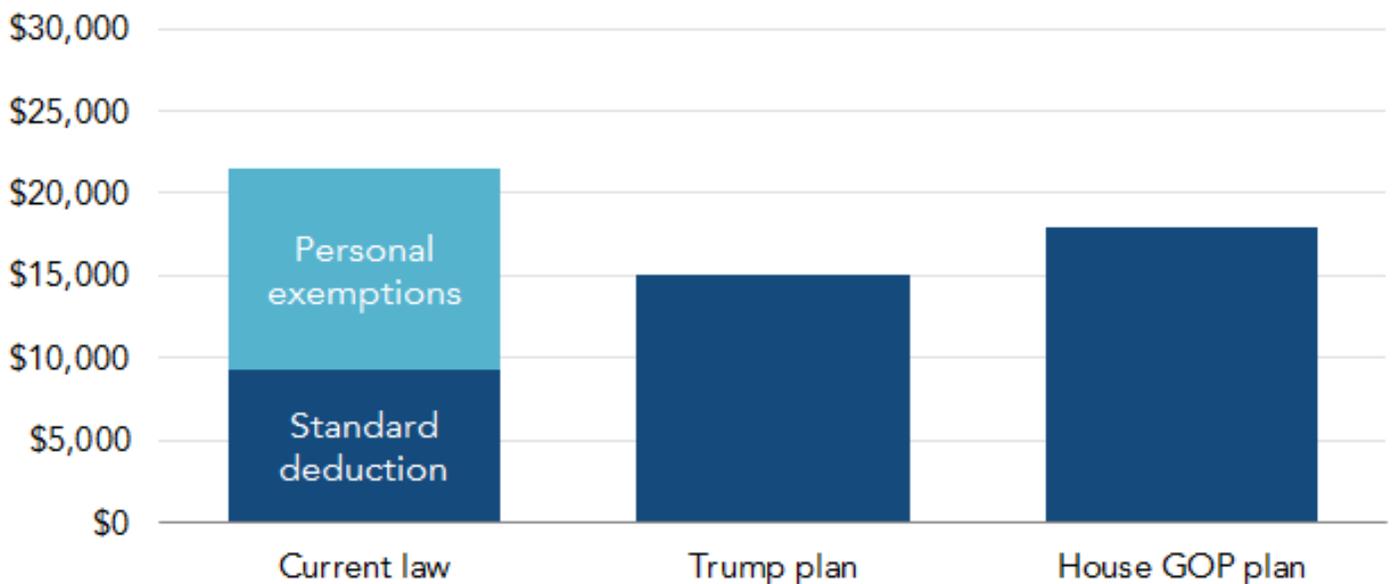
Single filers with no children would benefit from both the Trump and the House GOP plans. Each provides a new standard deduction that is larger than the sum of the current standard deduction and one personal exemption (figure 2).

However, a single parent with two children would likely be worse off under either plan (figure 3). While this taxpayer receives a higher standard deduction under both proposals (and keeps the head of household status under the GOP House plan), he or she loses more in personal exemptions. And a single parent with more than two children would lose even more from either plan, compared to the current system.

Married filers with no children would get a larger benefit from Trump’s proposed standard deduction (\$30,000) than the current \$20,700 sum of the standard deduction and two personal exemptions (figure 4). Similarly, the House GOP plan’s \$24,000 standard deduction for joint filers is also larger than current combination of a smaller standard deduction and two personal exemptions.

A married couple with two children would also get \$30,000 from Trump’s plan, which is roughly equal to the \$28,800 benefit under current law. The same couple would receive less benefit from the House GOP plan (\$24,000) than from current law (figure 5).

**FIGURE 3**  
**Effects of 2016 Tax Proposals for Single Filers with Two Children**

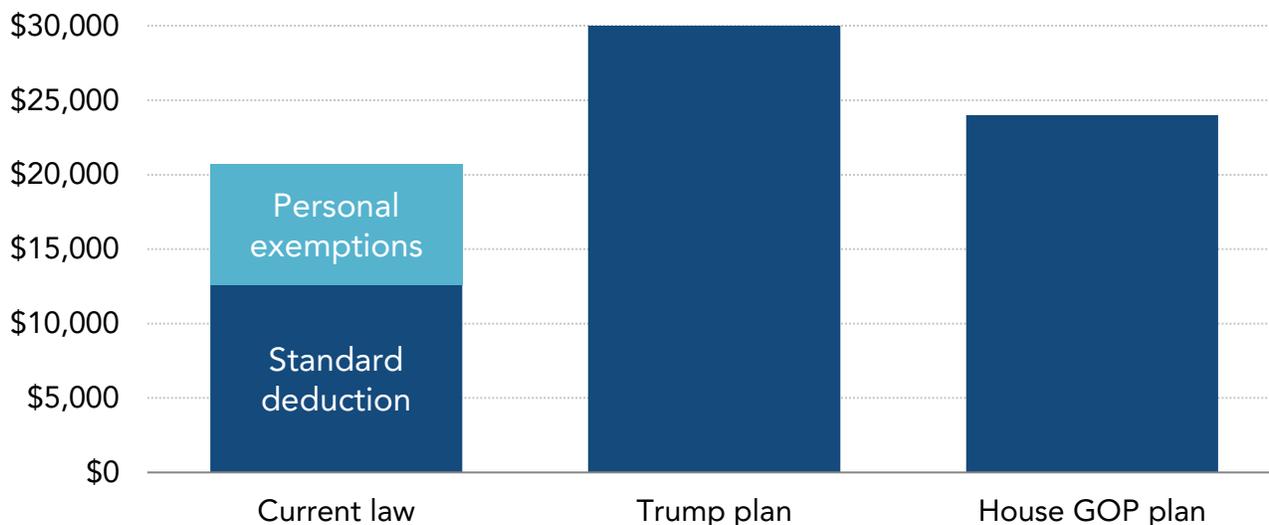


**Sources:** IRS, Trump tax plan, House GOP tax plan.

**Note:** All amounts from tax year 2016. Both the Trump and House GOP plans eliminate the personal exemption.



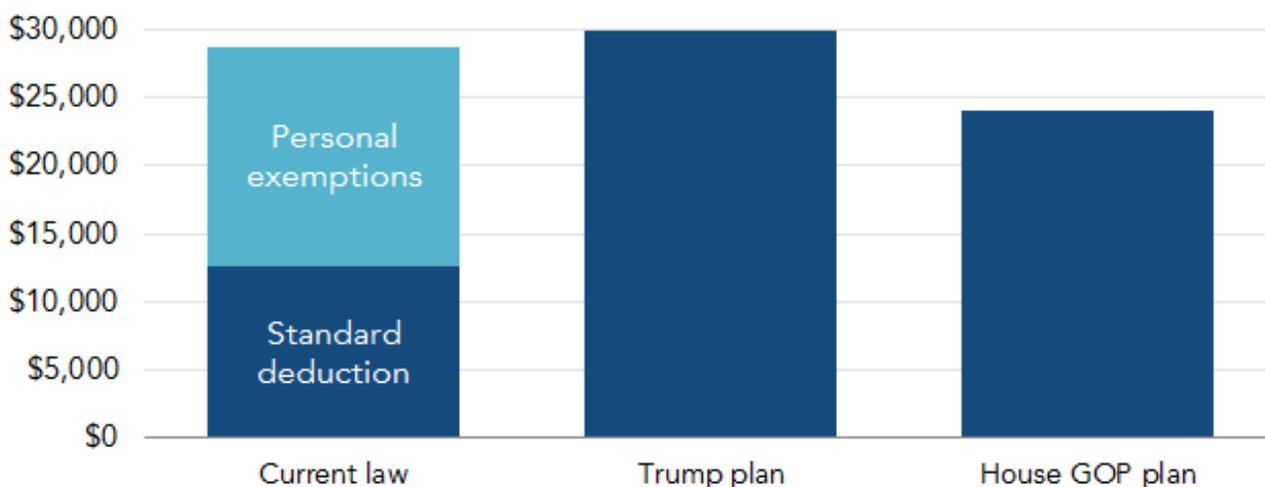
**FIGURE 4**  
Effects of 2016 Tax Proposals on Married Filers with No Children



**Sources:** IRS, Trump tax plan, House GOP tax plan.  
**Note:** All amounts from tax year 2016. Both the Trump and House GOP plans eliminate the personal exemption.



**FIGURE 5**  
Effects of 2016 Tax Proposals on Married Filers with Two Children



**Sources:** IRS, Trump tax plan, House GOP tax plan.  
**Note:** All amounts from tax year 2016. Both the Trump and House GOP plans eliminate the personal exemption.