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The Share of Taxpayers Who Itemize Deductions Is Growing

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Individual taxpayers may claim some expenses (for example, mortgage interest, state and local taxes, and so on) as itemized deductions or claim a standard deduction. In 2006 the standard deduction was \$5,150 for individual filers (\$10,300 for joint returns and \$7,550 for head of household filers). It is indexed to changes in the consumer price level. The standard deduction eliminates tax liability for many low-income filers and simplifies tax return preparation. Guyton et al. (2003) reported that in 2000, itemizers without business income spent on average almost twice as many hours preparing their tax returns as did nonitemizers without business income.¹

Between 1995 and 2004, the share of itemizers increased from 29 percent to 35 percent, increasing every year except 2003, when, to reduce marriage penalties, the standard deduction for married couples was increased to twice the amount for individual taxpay-

¹John E. Guyton, John F. O'Hare, Michael P. Stavrianos, and Eric J. Toder, "Estimating the Compliance Costs of the U.S. Individual Income Tax," *National Tax Journal*, Sept. 2003.

ers. Itemizers accounted for more than two-thirds of all adjusted gross income reported on tax returns and 80 percent of tax liability. Most taxpayers in the top half of the income distribution itemized. In 2004, 53 percent of taxpayers between the 50th and 90th percentiles of the AGI distribution (up from 42 percent in 1995) and 87 percent in the top 10 percent were itemizers.

Shares of taxpayers who itemize, AGI reported by itemizers, and tax liability of itemizers increased between 1995 and 2004 (see chart below). Upper-middle-income taxpayers contributed the most to the increase in the share of itemizers and the share of income reported by itemizers, and high-income taxpayers contributed the most to the increase in taxes paid by itemizers. (The contribution to the share of itemizers (AGI and tax of itemizers) for each group is equal to the share of taxpayers (AGI and tax) in the group multiplied by the share of itemizers (AGI and tax of itemizers) in the group.)



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