

Selected Issues in Tax Reform: Itemized Deductions

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P.L. 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA), modified the treatment of various itemized deductions through the end of 2025. This Insight provides information on itemized deductions specifically and tax deductions more generally, upcoming changes in tax law, and the potential effects of making the TCJA reforms permanent.

What Are Tax Deductions?

Deductions allow individuals to reduce their taxable incomes, thus lowering the amounts they owe in taxes. For example, an individual earning \$100,000 per year and qualifying for a \$20,000 deduction would pay the same taxes as an individual earning \$80,000 and not receiving a deduction. Policymakers may create deductions as a way of subsidizing certain activities (e.g., saving for retirement) or accounting for income that may not benefit the taxpayer (e.g., charitable contributions), or for other reasons.

There are four types of deductions. *Above-the-line deductions* allow all taxpayers to deduct certain expenses, including student loan interest payments and alimony payments. The *standard deduction* allows taxpayers to reduce their taxable incomes by a flat amount; for tax year 2025, the [standard deduction](#) is \$15,000 for single taxpayers and \$30,000 for married couples. *Itemized deductions* allow taxpayers not claiming the standard deduction to deduct certain expenses. The [three largest itemized deductions](#) (in terms of foregone federal revenues) are the deductions for [charitable contributions](#), [mortgage interest payments](#), and [state and local tax \(SALT\) payments](#). Finally, the *Qualified Business Income (QBI) deduction* allows certain business owners to [exempt 20% of their QBI income](#) from the personal income tax, subject to certain restrictions. Under current law, the QBI deduction will expire after 2025.

Distributional Impacts

Tax deductions generally benefit high-income households more than low-income households, for two reasons. First, tax deductions are generally based on taxpayers' expenses, and high-income people usually spend more than low-income people. Second, reducing taxable income is most valuable to people whose income would have been taxed at a high rate. Because marginal tax rates rise with income, deductions reduce tax payments the most for high-income taxpayers.

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Table 1 shows the estimated distributional impacts of the three largest itemized deductions. In 2024, taxpayers in the top third of the income distribution (those earning \$100,000 or more) received an estimated 98% of the benefits of the charitable contributions deduction, 95% of the benefits of the mortgage interest deduction, and 93% of the benefits of the SALT deduction.

Table 1. Distributional Estimates of Three Largest Itemized Deductions, 2024

Estimated reductions in income tax payments, per return

Income Range	Charitable Contributions Deduction	Mortgage Interest Deduction	State and Local Tax Deduction	Three Largest Itemized Deductions
Below \$50,000	\$1	\$2	\$2	\$4
\$50,000 to \$100,000	\$19	\$24	\$27	\$69
\$100,000 to \$500,000	\$236	\$263	\$242	\$741
\$500,000 to \$1 Million	\$3,220	\$1,930	\$1,357	\$6,507
\$1 Million and Over	\$40,397	\$3,521	\$2,189	\$46,107

Source: CRS calculations using projections from the Joint Committee on Taxation (JCT), [JCX-48-24](#).

Notes: Table does not include dependent taxpayers or taxpayers with negative incomes. The measure of income used by the JCT includes tax-exempt cash payments and benefits. The estimated average tax reductions are for all returns, including taxable filing units, nontaxable filing units, and nonfiling units.

Changes to Itemized Deductions in the TCJA

The TJCA made four structural changes to the rules governing tax deductions. First, the TCJA nearly doubled the standard deduction, making that a more attractive option than itemizing for many taxpayers. Second, the TCJA repealed the Pease limitation, which reduced a taxpayer's total itemized deductions by 3% of the amount by which a taxpayer's adjusted gross income (AGI) exceeded certain thresholds (\$261,500 for single filers and \$313,800 for married couples in 2017). Third, the TCJA pared back the [alternative minimum tax \(AMT\)](#), which required taxpayers to pay certain minimum tax rates after exempting a portion of their incomes. Fourth, the TCJA enacted the aforementioned QBI deduction. These changes are scheduled to expire at the end of 2025.

The TCJA also temporarily changed the rules for [specific itemized deductions](#), introducing the following changes to the three largest itemized deductions:

- **Charitable contributions deduction:** The TCJA allowed taxpayers to deduct no more than 60% of their AGIs for cash donations to public charities, up from 50% under previous law.
- **Mortgage interest deduction:** Prior to the TCJA, taxpayers were allowed to deduct interest payments on the first \$1 million of their mortgage balances; the TCJA decreased this amount to \$750,000 for mortgages originated after December 15, 2017. The TCJA also removed a provision allowing homeowners to claim an additional deduction for interest payments on up to \$100,000 of home equity loans.
- **SALT deduction:** Taxpayers were previously allowed to deduct unlimited amounts of qualifying state and local taxes, except that they could not deduct both income tax payments and sales tax payments. The TCJA capped taxpayers' SALT deductions at \$10,000 for nonbusiness taxes and removed the deductibility of [foreign real property taxes](#).

The TCJA also modified [three smaller itemized deductions](#), temporarily expanding the wagering losses deduction, restricting the personal casualty and theft loss deduction, and eliminating the deduction for miscellaneous expenses.

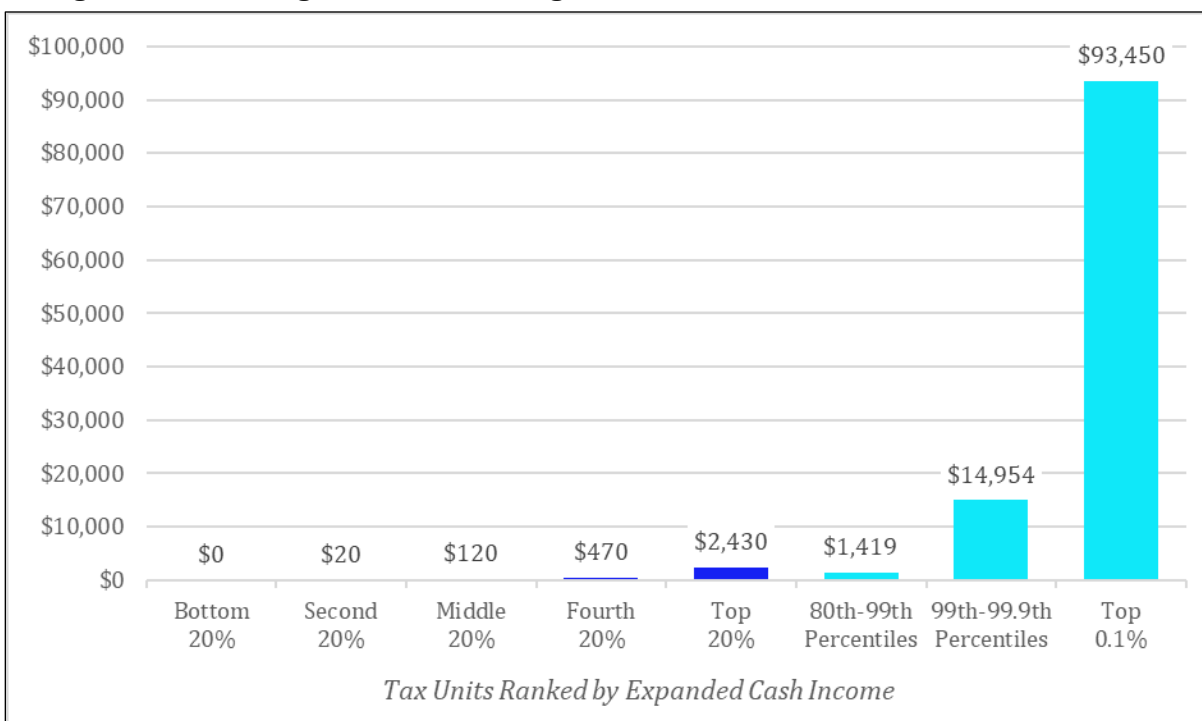
As a result of these reforms, the share of taxpayers itemizing their deductions fell from 31% in 2017 to 11% in 2018 and 9% in 2022.

Extending the TCJA Reforms

The TCJA's tax deduction provisions are scheduled to expire at the end of 2025. The Congressional Budget Office (CBO) estimates that [permanent reinstatement of all of the TCJA's expiring provisions](#) would increase primary deficits by \$3.3 trillion over FY2025-FY2034. As part of these estimates, the CBO projects that permanently extending the reforms to itemized deductions would reduce deficits by \$1.2 trillion, while making the TCJA's other provisions permanent would increase deficits by \$4.5 trillion.

According to [estimates](#) from the Tax Policy Center shown in **Figure 1**, reinstating the TCJA's itemized deduction provisions would raise taxes by an average of \$0 for tax units in the bottom fifth of the income distribution, \$120 for tax units in the middle fifth, and \$2,430 for the top fifth. (However, the latter number obscures distributional effects within that group. For example, average taxes would rise by \$93,450 for the top 0.1%.)

Figure 1. Tax Change from Reinstating TCJA Reforms to Itemized Deductions, 2026



Source: Urban-Brookings Tax Policy Center, Model Estimate T24-0083, December 18, 2024, <https://taxpolicycenter.org/model-estimates/t24-0083-extend-certain-provisions-tax-cuts-and-jobs-act-tax-change-percentage>.

Notes: Figure includes filing and nonfiling tax units but excludes dependent tax units and taxpayers with negative AGIs. Dark blue bars show quintiles of tax units; light blue bars show subsets of the highest-income quintile.

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