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# Standard Deduction

Alex Brill | June 7, 2017 | Tax Brief Series No. 1

## 1 Current Policy

Under current law, taxpayers can claim the standard deduction as an alternative to itemizing one's deductions. In 2017, the standard deduction will be \$6,350 for single filers, \$9,350 for head of household filers, and \$12,700 for married couples filing jointly.

## 2 Reform Options

Both the GOP and President Trump have proposed increasing the standard deduction. Using the open source Tax-Calculator, I present results describing the effects if increasing the standard deduction by 25%, 50%, 100%, or 200%. The costs of these expansions are estimated using a partial equilibrium analysis.

Reform	Taxpayers Receiving Tax Cut (millions)	Itemizers (millions)	Taxpayers Facing Lower Marginal Tax Rate (millions)	Taxpayers Paying Zero or Less Income Tax (millions)	10-Year Revenue Change, Static (billions)
Current Law	0.0	44.8	0.0	71.3	\$0.0
25 percent increase	68.9	39.2	11.3	74.4	(\$249.2)
50 percent increase	74.0	32.9	22.0	77.5	(\$503.2)
100 percent increase	84.5	23.3	40.5	83.3	(\$1,051.1)
200 percent increase	92.9	15.2	60.7	93.4	(\$2,149.7)

## 3 Comments

- Under current law, 111.9 million taxpayers are expected to claim the standard deduction, and 44.8 million are expected to itemize their deductions in 2017.
- The policy is base-narrowing, increasing the number of people paying no income tax by 31 percent when the standard deduction is raised by 200 percent.
- When the standard deduction is increased by 200 percent, 92.9 million people receive tax cuts.
- 60.7 million people face lower marginal tax rates.
- 12.7 million people face higher marginal tax rates.

## 4 Modeling Notes

### 4.1 Tax-Calculator

Tax-Calculator is an open source microsimulation tax model that computes federal individual income taxes and Federal Insurance Contribution Act (FICA) taxes for a sample of tax filing units for years beginning with 2013. The model can be used to simulate changes to federal tax policy to conduct revenue scoring, distributional impacts, and reform analysis. As an open source model, Tax-Calculator is under constant development and improvement. Therefore, the results reported in this paper will change as improvements are made. The model relies on data from the 2009 IRS Public Use File (PUF).

### 4.2 Modeling Assumptions

The simulation is a partial equilibrium analysis that uses an elasticity of taxable income of 0.4. The baseline is adjusted by multiplying the standard deduction for each filing type by factors of 25 percent, 50 percent, 100 percent, and 200 percent.

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