

Selected Itemized Deductions, Schedule A, 1990-2001

Data Release

Itemized deductions (after limitations) claimed on Schedule A increased significantly over the period 1990-2001, from \$458.5 billion to \$884.5 billion. Tax Year 1990 itemized deductions (after limitations) represented 13.5 percent of Adjusted Gross Income (AGI), while, for Tax Year 2001, they increased to 14.3 percent. The number of taxpayers claiming itemized deductions jumped from 28.3 percent of individual tax returns for Tax Year 1990 to 34.2 percent for Tax Year 2001. Itemized deductions also increased from 58.0 percent of all deductions for Tax Year 1990 to 64.7 percent of all deductions for Tax Year 2001. Interest paid was the largest itemized deduction of taxpayers over the period 1990-2001, with home mortgage interest being the largest percentage of interest paid. Taxes paid, the second largest deduction, had the largest positive percentage change and highest frequency of itemized deductions. This data release consists of data from 1990-2001 (see Table 1 in this article for the data). Also, see *Selected Years of Historical and Other Data Section* (Table 1) in the *SOI Bulletin* for pre-1990 itemized deduction data.

Itemized Deductions

Between 1990 and 2001, the number of tax returns claiming itemized deductions increased by 38.5 percent, whereas the total number of tax returns increased by only 14.2 percent. Thus, the share of taxpayers itemizing their deductions increased by 21.3 percent, rising from 28.5 percent of all taxpayers for 1990 to 34.6 percent for 2001.

The total amount of itemized deductions before limitations (in constant dollars) increased at an average annual rate of 3.6 percent between 1990 and 2001. Between 1991 and 1994, the annual changes were relatively small, ranging from a decrease of 1.7 percent to an increase of 0.4 percent. The increases were much larger between 1995 and 2000, ranging from a low of 4.1 percent for 1995 to as high as 8.1 percent for 1999 and 7.6 percent for 2000. For 2001, the increase was 3.5 percent.

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Over the period 1990-2001, interest paid was the largest itemized deduction taken by individual taxpayers. The total interest paid deduction (in constant dollars) grew at an average annual rate of 2.0 percent. Total interest paid in constant dollars was \$208.4 billion for 1990, compared to \$258.2 billion for 2001. The growth rate of home mortgage interest, which comprised between 90 percent and 95 percent of the total interest paid over the period 1990-2001, increased at an average annual rate of 2.3 percent. Total interest paid in constant dollars declined for 1992, 1993, and 1994. Beginning for 1995, total interest paid increased continually at rates ranging from 5.0 percent to 7.1 percent a year.

The deduction for taxes paid was the most frequently claimed itemized deduction and the second largest itemized deduction for individual taxpayers over the entire period of this study. This deduction (in constant dollars) increased at a faster rate than the deduction for interest paid. The average annual increase in the amount of taxes paid deduction (in constant dollars) was 4.5 percent. Between 1995 and 2000, the deduction for taxes paid (in constant dollars) grew at rates ranging from 4.3 percent to 7.9 percent. For 2001, the taxes paid deduction increased only 1.6 percent.

Charitable contributions were the third largest itemized deduction. Between 1990 and 2001, charitable contributions (in constant dollars) increased at an average rate of 5.5 percent. Charitable contributions increased slowly from 1991 to 1995. For 1996 through 2000, charitable contributions increased significantly faster than these earlier years, growing at an average annual rate of 10.4 percent. For 2001, however, the deduction for charitable contributions declined by 3.7 percent. The 2001 decline is attributable to a 21.8-percent drop (in constant dollars) in other than cash contributions. In contrast, cash contributions increased by 5.4 percent (in constant dollars). Between 1990 and 2001, the average annual growth rate of other than cash charitable contributions was 12.7 percent in constant dollars. Other than cash contributions increased from 13.1 percent of total charitable contributions for 1990 to 33.6 percent for 2000, before declining to 27.3 percent for 2001.

Miscellaneous deductions subject to a 2-percent AGI floor increased (in constant dollars) each year and had an average annual growth rate of 5.3 per-

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cent between 1990 and 2001. Employee business expenses represented the largest part of miscellaneous deductions, averaging 69.9 percent of miscellaneous deductions subject to the 2-percent AGI floor between 1990 and 2001. Employee business expenses (in constant dollars) were \$21.8 billion for 1990 and \$42.3 billion for 2001, increasing at an average annual rate of 6.2 percent.

The average annual growth rate (in constant dollars) for medical and dental expenses after the 7.5-percent AGI floor was 4.5 percent. The amount of medical and dental expenses deducted did not change greatly from 1990 to 1996, and, for 1993 to 1996, the amount declined each year. Since 1997, medical and dental expenses increased significantly. The annual growth rate in constant dollars ranged from 6.0 percent for 1997 to 16.7 percent for 2001. The average annual growth rate was 9.9 percent from 1997 to 2001.

Gambling losses and other unlimited miscellaneous deductions, from 1990-2001, had an average annual growth rate of 12.8 percent. For 1990, the gambling losses and other unlimited miscellaneous deductions totaled \$2.3 billion, with gambling losses representing 84.4 percent or \$1.9 billion. For 2001, gambling losses made up 86.0 percent (or \$7.4 billion) of the \$8.6-billion total. The average annual growth rate of the gambling loss deduction (in constant dollars) was 16.7 percent for 1993 to 2001.

Casualty and theft losses deduction amounts varied greatly over the 1990-2001 period. The average annual growth rate of casualty and theft loss deductions (in constant dollars) was 5.3 percent. In 1992, Hurricane Andrew caused a record \$26.5 billion dollars in damage and helped lead to a 145.7-percent annual growth rate, in constant dollars, from the previous year. In 1993, Midwest flooding caused \$23.1 billion in damage, and deductions in constant dollars grew by 23.2 percent from 1992. In 2001, multiple hurricanes and a national drought contributed to a 63.5-percent annual growth rate, in constant dollars, from 2000 [1].

Changes in Law

Starting with Tax Year 1991, total itemized deductions for certain high-income taxpayers were limited (Revenue Reconciliation Act of 1990). The limitation did not apply to the following itemized deductions: (1) medical and dental expenses, (2) investment interest

expenses, (3) casualty and theft losses, and (4) gambling losses. All other itemized deductions were subject to the limitation. To calculate allowable itemized deductions, total itemized deductions were reduced by the lesser of: (a) 80 percent of the non-exempt deductions, or (b) 3 percent of the amount of AGI in excess of the threshold limitation. The AGI threshold for this limitation is indexed annually for inflation. The threshold limitation for Tax Year 1991 was \$100,000 (\$50,000 if married filing separately). For Tax Year 2001, the threshold limitation was \$132,950 (\$66,475 if married filing separately). Other changes in the period 1990-2001 included the phaseout of the personal interest deduction (e.g., interest on car loans, credit card balances), which was completed in 1991 when personal interest no longer could be deducted.

For any charitable contribution of \$250 or more to be claimed as an itemized deduction, a written acknowledgement from the qualified recipient organization was necessary, beginning for 1994 [2]. Also, beginning for 1994, current-year moving expenses were no longer allowed as an itemized deduction; they were deducted as a statutory adjustment to AGI.

Effective for 1997, there was an expansion of the definition of medical and dental expenses, which included payments for certain long-term care insurance premiums and the unreimbursed cost of certain long-term care of a chronically-ill individual [3].

Data Sources and Limitations

A sample of individual tax returns (Forms 1040, 1040A, 1040EZ, including electronically-filed returns; 1040PC for Calendar Years 1992-1999, and 1040T for Calendar Year 1995) filed for Calendar Years 1990 through 2001 were used as a basis for these statistics. From Calendar Year 1991 onward, stratification of returns in the sample was based on the following: (1) the larger of positive income or negative income; (2) the presence or absence of specific forms or schedules; (3) the size of business

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and farm receipts; and (4) the usefulness of returns for tax policy modeling purposes. Returns were then selected at rates ranging from 0.02 percent to 100 percent depending on the Tax Year.

Since the data represented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CVs) are used to measure that magnitude. The reliability of estimates based on samples, and the use of CVs for evaluating the precision of estimates based on

samples, are discussed in the Appendix to this issue of the *Bulletin*.

Notes and References

- [1] Department of Commerce; National Oceanic and Atmospheric Administration; "Billion Dollar U.S. Weather Disasters since 1980."
- [2] Social Security Domestic Employment Reform Act of 1994 (IR Code Section 170 (f) (8)).
- [3] The Health Portability and Accountability Act of 1996 (IR Code Section 213 (d) (10)).

Source: IRS, Statistics of Income Winter Bulletin 2003/2004, Publication 1136

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Table 1.--Selected Deductions, 1990-2001

[Number of returns is in thousands--money amounts are in millions of dollars]

Tax year	Total itemized deductions before limitation				Medical and dental expenses after 7.5-percent AGI limitation				Taxes paid			
	Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²	
			Amount	Percentage change			Amount	Percentage change			Amount	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1990.....	32,175	458,485	458,485	N/A	5,091	21,457	21,457	N/A	31,594	140,011	140,011	N/A
1991.....	32,490	478,541	459,253	0.2	5,339	23,726	22,770	6.1	31,969	147,858	141,899	1.3
1992.....	32,541	494,697	461,041	0.4	5,508	25,747	23,996	5.4	31,959	160,453	149,536	5.4
1993.....	32,821	503,160	454,936	-1.3	5,490	26,510	23,969	-0.1	32,264	169,850	153,572	2.7
1994.....	33,018	507,010	447,099	-1.7	5,229	26,378	23,261	-3.0	32,569	175,848	155,068	1.0
1995.....	34,008	542,931	465,636	4.1	5,351	26,964	23,125	-0.6	33,530	188,644	161,787	4.3
1996.....	35,415	591,624	493,020	5.9	5,397	27,002	22,502	-2.7	34,855	203,776	169,813	5.0
1997.....	36,625	644,074	524,490	6.4	5,256	29,284	23,847	6.0	36,095	220,628	179,665	5.8
1998.....	38,186	703,408	560,932	6.9	5,560	31,984	25,506	7.0	37,576	241,783	192,809	7.3
1999.....	40,244	773,342	606,543	8.1	5,884	35,376	27,746	8.8	39,564	265,365	208,130	7.9
2000.....	42,534	860,427	652,827	7.6	6,513	39,251	29,781	7.3	41,824	294,712	223,605	7.4
2001.....	44,562	915,510	675,653	3.5	7,572	47,072	34,739	16.7	43,797	307,975	227,288	1.6
Avg. annual growth rate 1990-2001.....	3.0	6.5	3.6	N/A	3.7	7.4	4.5	N/A	3.0	7.4	4.5	N/A
Tax year	Interest paid ³				Interest paid ³				Charitable contributions			
	Total				Home mortgage interest				Total			
	Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²	
Amount			Percentage change	Amount			Percentage change	Amount			Percentage change	
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
1990.....	29,395	208,354	208,354	N/A	26,679	189,233	189,233	N/A	29,230	57,243	57,243	N/A
1991.....	27,418	213,725	205,110	-1.6	27,001	200,995	192,893	1.9	29,551	60,574	58,132	1.6
1992.....	27,347	208,656	194,460	-5.2	26,984	196,946	183,547	-4.8	29,603	63,843	59,500	2.4
1993.....	27,498	200,190	181,003	-6.9	27,173	188,594	170,519	-7.1	29,799	68,354	61,803	3.9
1994.....	27,873	197,240	173,933	-3.9	27,518	185,709	163,765	-4.0	29,849	70,545	62,209	0.7
1995.....	28,705	215,078	184,458	6.1	28,350	203,074	174,163	6.3	30,541	74,992	64,315	3.4
1996.....	29,803	233,151	194,292	5.3	29,436	220,203	183,503	5.4	31,592	86,159	71,799	11.6
1997.....	30,790	250,599	204,071	5.0	30,436	235,970	192,158	4.7	32,613	99,192	80,775	12.5
1998.....	32,024	271,624	216,606	6.1	31,627	254,397	202,869	5.6	33,836	109,240	87,113	7.8
1999.....	33,706	291,553	228,669	5.6	33,268	272,149	213,450	5.2	35,523	125,799	98,666	13.3
2000.....	35,405	322,932	245,016	7.1	34,914	299,963	227,590	6.6	37,525	140,682	106,739	8.2
2001.....	36,801	349,901	258,229	5.4	36,331	330,692	244,053	7.2	39,387	139,241	102,761	-3.7
Avg. annual growth rate 1990-2001.....	2.1	4.8	2.0	N/A	2.8	5.2	2.3	N/A	2.7	8.4	5.5	N/A
Tax year	Charitable contributions				Casualty and theft losses				Miscellaneous deductions after 2-percent AGI limitation			
	Other than cash contributions				Total				Total			
	Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²	
Amount			Percentage change	Amount			Percentage change	Amount			Percentage change	
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
1990.....	11,830	7,494	7,494	N/A	112	734	734	N/A	7,420	24,175	24,175	N/A
1991.....	12,668	9,682	9,292	24.0	126	872	837	14.0	7,473	26,044	24,994	3.4
1992.....	13,344	9,633	8,977	-3.4	122	2,207	2,057	145.7	7,593	27,118	25,273	1.1
1993.....	14,098	12,279	11,102	23.7	170	2,802	2,534	23.2	7,791	28,764	26,007	2.9
1994.....	14,347	14,739	12,998	17.1	225	3,484	3,072	21.3	7,977	29,496	26,011	(⁴)
1995.....	14,930	13,522	11,597	-10.8	152	1,776	1,523	-50.4	7,979	31,027	26,610	2.3
1996.....	16,037	21,299	17,749	53.1	164	2,879	2,399	57.5	8,436	34,043	28,369	6.6
1997.....	17,071	27,961	22,770	28.3	105	1,064	866	-63.9	8,663	37,427	30,478	7.4
1998.....	18,106	29,256	23,330	2.5	99	1,194	952	9.9	8,843	40,546	32,334	6.1
1999.....	19,292	38,287	30,029	28.7	92	1,325	1,039	9.2	9,277	44,730	35,083	8.5
2000.....	21,244	47,256	35,854	19.4	83	1,039	788	-24.1	10,108	51,241	38,878	10.8
2001.....	22,585	37,998	28,042	-21.8	97	1,747	1,289	63.5	10,969	57,909	42,737	9.9
Avg. annual growth rate 1990-2001.....	6.1	15.9	12.7	N/A	-1.3	8.2	5.2	N/A	3.6	8.3	5.3	N/A

Footnotes at end of table.

Selected Itemized Deductions, Schedule A, 1990-2001

Table 1.--Selected Deductions, 1990-2001--Continued

[Number of returns is in thousands--money amounts are in millions of dollars]

Tax year	Miscellaneous deductions after 2-percent AGI limitation				Gambling losses and other unlimited miscellaneous deductions				Itemized deductions in excess of limitation			
	Unreimbursed employee business expense				Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²	
	Number of returns	Current dollars	Constant 1990 dollars ²				Amount	Percentage change			Amount	Percentage change
			Amount	Percentage change	Amount	Percentage change						
	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
1990.....	8,404	22,324	22,324	N/A	750	2,295	2,295	N/A	N/A	N/A	N/A	N/A
1991.....	8,463	23,680	22,725	1.8	711	2,091	2,007	-12.6	3,282	10,855	10,418	N/A
1992.....	8,703	25,240	23,523	3.5	730	2,412	2,248	12.0	3,242	12,751	11,884	14.1
1993.....	9,263	28,213	25,509	8.4	727	2,770	2,504	11.4	3,312	12,756	11,533	-2.9
1994.....	10,021	29,679	26,172	2.6	665	3,572	3,150	25.8	3,378	13,356	11,778	2.1
1995.....	10,435	32,568	27,931	6.7	752	4,450	3,817	21.2	3,710	15,557	13,342	13.3
1996.....	11,184	36,582	30,485	9.1	827	4,614	3,845	0.7	4,053	19,083	15,902	19.2
1997.....	11,414	39,336	32,032	5.1	779	5,880	4,789	24.5	4,489	23,263	18,944	19.1
1998.....	11,605	41,570	33,150	3.5	899	7,037	5,612	17.2	4,917	26,948	21,490	13.4
1999.....	12,040	45,805	35,925	8.4	1,082	9,195	7,212	28.5	5,465	31,966	25,071	16.7
2000.....	13,951	52,129	39,551	10.1	1,054	10,571	8,020	11.2	6,030	38,066	28,882	15.2
2001.....	14,227	57,367	42,337	7.0	1,144	11,666	8,609	7.3	5,660	30,982	22,865	-20.8
Avg. annual growth rate 1990-2001.....	4.9	9.0	6.0	N/A	3.9	15.9	12.8	N/A	6.0 ⁵	11.0 ⁵	8.0 ⁵	N/A
Tax year	Total itemized deductions after limitation				Total standard deduction				Total deductions (after itemized deduction limitation)			
	Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²		Number of returns ¹	Current dollars	Constant 1990 dollars ²	
			Amount	Percentage change			Amount	Percentage change			Amount	Percentage change
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
1990.....	32,175	458,485	458,485	N/A	80,621	331,457	331,457	N/A	112,796	789,942	789,942	N/A
1991.....	32,490	467,686	448,835	-2.1	81,305	351,076	336,925	1.6	113,795	818,762	785,760	-0.5
1992.....	32,505	481,946	449,157	0.1	80,072	366,534	341,597	1.4	112,577	848,479	790,754	0.6
1993.....	32,821	490,404	443,403	-1.3	80,841	382,134	345,510	1.1	113,662	872,538	788,913	-0.2
1994.....	33,018	493,654	435,321	-1.8	81,947	397,106	350,182	1.4	114,965	890,760	785,503	-0.4
1995.....	34,008	527,374	452,293	3.9	83,223	413,585	354,704	1.3	117,230	940,959	806,997	2.7
1996.....	35,415	572,541	477,118	5.5	83,997	426,103	355,086	0.1	119,412	998,644	832,204	3.1
1997.....	36,625	620,810	505,546	6.0	84,844	441,696	359,687	1.3	121,469	1,062,506	865,233	4.0
1998.....	38,186	676,460	539,442	6.7	85,576	459,457	366,393	1.9	123,763	1,135,918	905,835	4.7
1999.....	40,244	741,377	581,472	7.8	85,755	463,960	363,891	-0.7	126,000	1,205,337	945,363	4.4
2000.....	42,534	822,361	623,946	7.3	85,671	470,821	357,224	-1.8	128,205	1,293,181	981,169	3.8
2001.....	44,562	884,528	652,788	4.6	84,238	481,908	355,651	-0.4	128,801	1,366,436	1,008,440	2.8
Avg. annual growth rate 1990-2001.....	3.0	6.2	3.3	N/A	0.4	3.5	0.6	N/A	1.2	5.1	2.2	N/A

N/A-Not applicable.

¹ Returns with no adjusted gross income are excluded from the deduction counts. For this reason, the sum of the number of returns with total itemized deductions and the number of returns with total standard deduction is less than the total number of returns for all filers.

² Inflation-adjusted data were calculated, using the consumer price index from U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review; based on 1990=100 when 1990 CPI-U = 130.7; 2001 CPI-U = 177.1; 2000 CPI-U = 172.2; 1999 CPI-U = 166.6; 1998 CPI-U = 163.9; 1997 CPI-U = 160.5; 1996 CPI-U = 156.9; 1995 CPI-U = 152.4; 1994 CPI-U = 148.2; 1993 CPI-U = 144.5; 1992 CPI-U = 140.3; and 1991 CPI-U = 136.2.

³ Includes investment interest and deductible mortgage "points" not shown separately.

⁴ Percentage less than 0.05.

⁵ Average annual growth rate 1991-2001.