



Eliminate Itemized Deductions

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<https://budgetmodel.wharton.upenn.edu/model-estimates-1/2019/11/18/eliminate-itemized-deductions>

Summary: We estimate the budgetary, economic and distributional effects of eliminating all itemized deductions. The policy would be enacted on January 1st, 2021.

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Table 1. Conventional Budget Estimate, FY2021-2030

Billions of Dollars, Change from Current-Law Baseline

Policy	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021-2030
Eliminate all itemized deductions	67	93	122	153	186	222	260	302	346	394	2,146



Table 2. Dynamic Macroeconomic Effects

Percent Change from Baseline

Year	GDP	Capital stock	Labor income	Hours worked	Consumption
2030	0.1%	0.7%	0.1%	-0.2%	-0.1%
2040	0.8%	2.4%	0.8%	0.0%	0.0%
2050	2.3%	6.5%	2.3%	0.3%	0.4%

Note: Consistent with empirical evidence*, the projections above assume that the U.S. economy is 40 percent open and 60 percent closed. Specifically, 40 percent of new government debt is purchased by foreigners.

* <https://budgetmodel.wharton.upenn.edu/issues/2016/9/13/setting-behavioral-responses-in-pwbms-dynamic-simulations>



Table 3. Distribution of Policy Change by Annual Income Categories, Relative to Current-Law Baseline

Income group	Average tax change	Share with a tax increase	Percent change		Share of federal taxes paid	Change in share of federal taxes paid
			in after tax income	Share of tax change		
Bottom quintile	\$0	1%	0.0%	0%	0%	0.0%
Second quintile	\$10	2%	0.0%	1%	1%	0.0%
Middle quintile	\$80	8%	-0.2%	4%	8%	-0.1%
Fourth quintile	\$295	17%	-0.4%	11%	17%	-0.2%
80-90%	\$625	29%	-0.5%	10%	14%	-0.1%
90-95%	\$1,345	44%	-0.7%	10%	11%	0.0%
95-99%	\$2,930	55%	-1.0%	17%	18%	0.0%
99-99.9%	\$12,760	68%	-1.5%	17%	15%	0.0%
Top 0.1%	\$204,015	78%	-2.8%	31%	17%	0.5%