Oregon Itemized Deductions

Oregon personal income tax filers have the option of taking either the standard deduction or itemizing their deductions. Generally, taxpayers deduct the larger amount. Oregon and federal itemized deductions are generally identical. One exception is the deduction for state and local income taxes which Oregon does not allow. Oregon's standard deduction amount is smaller than the federal threshold (OR single: \$2,215 | federal single: \$12,000) which will lead to many taxpayers taking the standard deduction on their federal return while itemizing on their Oregon return.

Note on sources: Unless otherwise noted, information is sourced from Department of Revenue Tables and amounts displayed are full year Oregon income tax filers.



Standard and Itemized Deductions



Itemized Deductions





Home Mortgage Interest

Description:

- Interest pain on principal and one other residence allowed as an itemized deduction
- Mortgage originated after 12/14/2017, limited to \$750,000 (pre TCJA, was \$1M)
- Home equity loan limited to \$100,000 but may not exceed fair market value mortgage amt.
- Home equity loan no longer deductible if equity loan proceeds are not used to buy, build or substantially improve the taxpayer's home that secures the loan



Amount of Deduction (Millions)





250-500

100-250

Number Claiming Deduction by Inc. Category TYs 2006 - 2015

2006

2007

2008

2009

2010

2011

2012

2013

2014

500+



0-50

50-100

Charitable Contributions

- Deduction for contributions to certain organizations eligible to receive charitable contributions
- 60% (50% pre TCJA) of AGI for ordinary income property and/or cash contributed to public charities & operating foundations
- Charitable donation by category: Religion 32%, Education 15%, Human Services 12%, Gifts to Foundations 10%, Health 8%, Other 23% (Giving USA, 2016)



Property Taxes

- Individuals permitted a deduction for state & local real/personal property taxes
- Limited to \$10,000 (TCJA SALT limit)



Medical and Dental Expenses

- Deduction for unreimbursed medical expenses but only to extent that unreimbursed expenses exceed 10% of AGI
- For tax years 2017 & 2018: Threshold for deducting is 7.5% of AGI | Tax years 2019 and later: threshold returns to 10% of AGI
- In tax year 2013, medical and dental expenses deduction threshold increased to 10% of AGI



Net Limited Miscellaneous

- Certain expenses can be deducted as a miscellaneous itemized deduction to extent expenses exceed 2% of AGI
- Expense Category Examples: Unreimbursed employee expenses (job travel, dues, tools/supplies), tax preparation fees, other expenses
- Eliminated by TCJA



Other States

State Treatment of Federal Itemized Deductions							
Type of Deduction	Number of States	Which States					
Generally Follow Federal	17	AZ, CO, DE, GA, ID, IA, LA, MD, MS, MO, MT, NE, NM,					
Deductions	17	ND, OK, OR, VA					
Do Not Allow Itemized	10						
Deductions	10	CT, IL, IN, MA, MI, NJ, OH, PA, RI, WV					
Limit Federal Deductions at State	11						
Level	11	CA, D.C., HI, KS, KY, ME, MN, NC, NY, UT, VT, WI					
Follow Federal Structure Except	2						
High-Income "Pease" Limitation	3	AL, AR, SC					
No Broad-Based Income Tax	9	AK, FL, NV, NH, SD, TN, TX, WA, WY					

Figure 2: State-Level Limits on Itemized Deductions

	Flat \$ Cap on Maximum Deduction ^a	Elimination of Certain Itemized Deductions ^b	Reduction of Certain Deductions by a Percentage ^c	Convert Deductions to Credit	Phase-Down at Steeper Rate than Federal ^d	Phase-Down Starting at Lower Income Level than Federal
Number of States	3	2	1	2	4	7
California					X	X
District of Columbia					X	X
Hawaii						X
Kansas		x	х			
Kentucky						X
Maine	x				x	х
Minnesota						X
New York					X	X
North Carolina	х	х				
Vermont	Х					
Utah				х		
Wisconsin				x		

^a Maine caps itemized deductions, as a group, at \$27,950. Vermont caps itemized deductions other than charitable giving and medical expenses at a total value of 2.5 times the standard deduction. North Carolina caps the mortgage interest and property tax deductions at a combined value of \$20,000 (and allows unlimited charitable contributions and medical expenses under federal rules).

^b Kansas has completely eliminated all itemized deductions other than mortgage interest, property taxes, and charitable contributions. North Carolina has eliminated all itemized deductions other than mortgage interest, property taxes, charitable contributions, and medical expenses. This category excludes those states that have only eliminated the deduction for state income taxes paid (a group that includes every state except Arizona, Georgia, Hawaii, Louisiana, and North Dakota).

^c Kansas limits its mortgage interest and property tax deductions to 50% of their federal values. Charitable contributions are not subject to the reduction.

^d Maine itemized deductions phase out entirely between \$140,000 and \$290,000 (married filing jointly taxpayers).

Source: Institute on Taxation & Economic Policy: State Treatment of Itemized Deductions, 2016

Example of State that Does not Allow Federal Itemized Deductions

Massachusetts

2	INCOME		2			
	Wages, salaries, tips and other employee compensation (from all Forms W-2) Taxable pensions and annuities. See instructions					
1						
_	Massachusetts bank interest Exemption amount. If married filing jointly, enter \$200; otherwis					
5	a. 0 0 b. 0 0a – b (not less th	an "0") =	5			
6	a. Business income or loss. Enclose Schedule C.	6a				
	b. Farming income or loss. Enclose U.S. Schedule F					
7	7 If you are reporting rental, royalty, REMIC, partnership, S corporation, or trust income or loss, see instructions 7					
8	a. Unemployment compensation. See instructions.	8	Ba			
	b. Massachusetts state lottery winnings.	8	Bb			
9	Other income from Schedule X, line 5. Enclose Schedule X; not less than "0"		.9			
10	TOTAL 5.1% INCOME. Add lines 3 through 9. Be sure to subtract any losses in lines 6 or 7	10				
11	DEDUCTIONS a. Amount you paid to Social Security, Medicare, Railroad, U.S. or Massachusetts retirement. Not more than	\$2,000		11a		
	b. Amount spouse paid to Social Security, Medicare, Railroad, U.S. or Massachusetts retirement. Not more the	an \$2,0	0 0	11b		
12	Child under age 13, or disabled dependent/spouse care expenses (from worksheet)			12		
13	Dependent member(s) of household under age 12, or dependent(s) age 65 or over (not you or your spouse) as (only if single, head of household or married filing joint return and not claiming line 12). a. Not more than two.			, 2018, or d 3,600 = 13	d depe	ndent(s)
14	Rental deduction. Total rental deduction cannot exceed \$3,000 (\$1,500 if married filing separately). See instruct	ions.				
	a. Total rent paid in 2018	ļ) ()	÷ 2 = 14		
15	Other deductions from Schedule Y, line 19. Enclose Schedule Y	1	5			
16	TOTAL DEDUCTIONS. Add lines 11 through 15	1	6			
17	5.1% INCOME AFTER DEDUCTIONS. Subtract line 16 from line 10. Not less than "0"	1	7			
18	Total exemption amount (from line 2g).			.18		
	5.1% INCOME AFTER EXEMPTIONS. Subtract line 18 from line 17. Not less than "0." If line 17 is less					
	than line 18, see instructions	1	9			
20	INTEREST AND DIVIDEND INCOME from Schedule B, line 38. Not less than "0." Enclose Schedule B		20			

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Schedule Y Other Deductions. Enclose with Form 1 or Form 1-NR/PY. Do not cut or separate these schedules.

		0	0
1	Reserved	U	U
2	Penalty on early savings withdrawal (from US return). (Nonresidents and part-year residents, this deduction must be related to income reported on Form 1-NR/PY)	0	0
3	Alimony paid (from US return). Part-year residents, enter the amount paid while a Massachusetts resident; nonresidents, multiply alimony paid by line 14g of Form 1-NR/PY	0	0
4	Amounts excludible under MGL ch 41, § 111F or US tax treaty included in Form 1, line 3 or Form 1-NR/PY, line 5. Fill in applicable oval below	0	
5	Moving expenses	0	0
6	Medical savings account deduction	0	0
7	Self-employed health insurance deduction (see instructions)	0	0
8	Health savings accounts deduction.	0	0
9	Certain qualified deductions from US Form 1040 (see instructions)	0	0
10	Student loan interest deduction (from US Form 1040; only if not claiming the same expenses in line 12) 10	0	0
11	College Tuition Deduction (full-year residents only; from worksheet)	0	0
12	Undergraduate student loan interest deduction (only if not claiming the same expenses in line 10; see instructions)	0	0
13	Deductible amount of qualified contributory pension income from another state or political subdivision included in Form 1, line 4 or Form 1-NR/PY, line 6 (see instructions)	0	0
14	Claim of right deduction 14	0	-
15	Commuter deduction (from worksheet)	0	0
16	Human organ donation deduction (full-year residents only; see instructions) 16	0	0
17	Certain gambling losses (see instructions)	0	0
18	Prepaid tuition or college savings program deduction (see instructions)	0	0
19	Total other deductions. Add lines 1 through 18. Enter here and on Form 1, line 15 or Form 1-NR/PY, line 19 19	0	0