

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE  
**INCREASED STANDARD DEDUCTION**



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**ADVANCING AMERICAN  
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**TOPLINE:** The One Big Beautiful Bill (OB BB) permanently extended the 2017 Tax Cuts and Jobs Act's (TCJA's) increase in the standard deduction and further added to it. The 2026 standard deduction is nearly double what it would have been if TCJA had expired.

**BACKGROUND:** When the income tax was enacted in 1913, it allowed a generous exemption of \$3,000 of income for single taxpayers or \$4,000 for married couples. In 1913, that was high enough to exclude about 99% of Americans from any income tax (then only a 1% tax on net income). For those with incomes beyond the exemption amount, there was no standard deduction—itemizing deductions was the only option.

Congress soon reduced the income tax exemption and raised tax rates. The income tax became the cash cow that funded World War I and II. The tax came to apply to most Americans, not just the rich. In 1944, Congress created a version of the standard deduction, saving some Americans from the hassle of itemizing. But the standard deduction was paired with \$500 personal exemptions for each qualifying person (self, spouse, and dependents). That more complicated framework of personal exemptions *plus* either itemized deductions or a standard deduction persisted until 2017.

The 2017 TCJA suspended personal exemptions (then \$4,050 per person) and increased the standard deduction from \$6,350/\$12,700 (single/married joint filers) in 2017 to \$12,000/24,000 in 2018. It also increased the Child Tax Credit and suspended or capped many itemized deductions. This reduced the burden of taxes by cutting taxes *and* simplifying tax filing. These positive reforms would have expired after 2025.

**What OB BB Did:**

- Made permanent TCJA's increase in the standard deduction (and suspended personal exemptions). Also added about \$750/\$1,500 to what the deduction would have been as of 2026 if TCJA was extended with no change.
- Resulted in a 2026 standard deduction of \$16,100/\$32,200 instead of about \$8,500/\$17,000 (the inflation-adjusted standard deduction if TCJA had expired).

**Why It Matters?**

- It saves tens of millions of Americans from the hassle of itemizing their deductions.
- Tax simplification will save Americans hundreds of millions of hours on tax filing.

**Where Are the Changes?** OB BB Section 70102-70103; 26 U.S.C. § 63(c), 151(d).

**BOTTOMLINE:** Congress should be applauded for streamlining tax filing. The larger standard deduction and Child Tax Credit more than make up for the loss of personal exemptions.

