

Limit on itemized deductions



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Did you reduce itemized deductions on your federal return because your federal adjusted gross income (AGI) was more than \$156,400 (\$78,200 if married filing separately)? If so, complete the following worksheet to determine how much sales tax or Oregon income tax to subtract from itemized deductions.

1. Itemized deductions subject to the limit (from your federal itemized deductions worksheet). 1. _____
2. Limit: Line 1 multiplied by 80 percent (.80). 2. _____
3. Federal AGI minus federal income limit. 3. _____
4. Line 3 multiplied by 3% (.03). 4. _____
5. Enter the smaller of line 2 or line 4. 5. _____
6. Divide line 5 by 3. 6. _____
7. Line 5 minus line 6. 7. _____

8. Line 1 minus line 7. This is your allowed deduction for Oregon. 8. _____
9. Line 8 divided by line 1. Carry this decimal to three places. 9. _____
10. Line 9 multiplied by sales tax or Oregon income tax you claimed on federal Schedule A, line 5.* 10. _____

* If you're claiming income tax from Oregon and another state(s) on Schedule A, line 5, use only your Oregon income tax claimed on Schedule A.

Example: John, a single taxpayer, filed a return with itemized deductions and \$500,000 of AGI. His itemized deductions are as follows:

Federal itemized deductions worksheet

| | | | Subject to Limit | Not Subject to Limit |
|----------------------------|-----------|-----------|---------------------|-------------------------|
| Medical | \$ 50,000 | | | |
| Less: 7.5% of federal AGI | (37,500) | | | |
| Total | | \$ 12,500 | — | \$12,500 |
| Taxes | | | | |
| Oregon income tax | \$ 36,000 | | | |
| Other taxes | 6,000 | | | |
| Total | | \$ 42,000 | \$42,000 | — |
| Interest | | | | |
| Home mortgage | \$ 10,500 | | \$ 10,500 | — |
| Investment interest | 10,000 | | — | \$10,000 |
| Total | | \$ 20,500 | | |
| Contributions | | \$ 10,000 | \$10,000 | — |
| Casualty loss, nonbusiness | | \$ 5,000 | — | \$ 5,000 |
| Miscellaneous | \$ 25,000 | | | |
| Less: 2% of federal AGI | (10,000) | | | |
| Total | | \$ 15,000 | \$15,000 | — |
| Other misc. deductions | | | | |
| Gambling losses | \$ -0- | — | — | -0- |
| Other | -0- | -0- | — | |
| Total | | \$ -0- | | |
| Total itemized deductions | | \$105,000 | \$77,500 | \$27,500 |

Of the total \$105,000 of John's itemized deductions, \$77,500 is subject to the federal limit, and \$27,500 is not subject. His reduced itemized deductions for federal purposes are \$98,010 (\$70,510 limited deductions, plus \$27,500 not limited).

Here is an example of how John calculates his Oregon itemized deductions:

- | | |
|------------------------------------------------------------------------------------------------|--------------------|
| 1. Itemized deductions subject to the limit (from your federal itemized deductions worksheet). | 1. <u>\$77,500</u> |
| 2. Limit: Line 1 multiplied by 80%. | 2. <u>62,000</u> |
| 3. Federal AGI minus federal income limit (\$500,000 – \$156,400). | 3. <u>343,600</u> |
| 4. Line 3 multiplied by 3% (.03). | 4. <u>10,308</u> |
| 5. Enter the smaller of line 2 or line 4. | 5. <u>10,308</u> |
| 6. Divide line 5 by 3. | 6. <u>3,436</u> |
| 7. Line 5 minus line 6. | 7. <u>6,872</u> |
| 8. Line 1 minus line 7. This is your allowed deduction for Oregon. | 8. <u>70,628</u> |

- | | |
|---------------------------------------------------------------------------------------------------------------------------|-------------------|
| 9. Line 8 divided by line 1. Carry this decimal to three places. | 9. <u>.911</u> |
| 10. Amount of reduction: Oregon tax you claimed on federal Schedule A, multiplied by decimal on line 9 (\$36,000 × .911). | 10. <u>32,796</u> |

For Oregon, John will reduce his \$98,010 of federal itemized deductions by \$32,796 of Oregon income tax not allowed as an itemized deduction. His net Oregon itemized deductions total \$65,214 (\$98,010 – \$32,796).

Taxpayer assistance

General tax information www.oregon.gov/DOR
 Salem 503-378-4988
 Toll-free from Oregon prefix 1-800-356-4222

Asistencia en español:
 Salem 503-378-4988
 Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
 Salem 503-945-8617
 Toll-free from Oregon prefix 1-800-886-7204

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