

[admin](#) - Thu, 2/13/2014 - 14:00

Taxpayers who declare adjusted gross income in excess of a certain threshold must reduce their itemized deductions by 3% of that excess. Itemized deductions include state and local taxes, mortgage interest, and other itemized deductions, as well as charitable deductions. The reduction is limited to no more than 80% of the taxpayer's total itemized deductions.

For example, the threshold adjusted gross income for the 3% rule in 2001 was \$132,950 (\$66,475 if married filing separately). If a taxpayer declared \$200,000 of taxable income in 2001, his excess income was  $\$200,000 - \$132,950 = \$67,050$ . 3% of \$67,050 is  $.03 \times \$67,050 = \$2,011.50$ . If the taxpayer declared \$50,000 in itemized deductions, he would have been able to actually deduct only  $\$50,000 - \$2,011.50$ , or \$47,988.50.

The 3% rule was suspended in 2010. This suspension was extended for 2011 - 2012 by the [Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010](#).

[Print](#)

Categories

[Taxation](#)