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2018 adjustments are generally used on tax returns filed in 2019.

Apr. 16, 2018

The Internal Revenue Service has updated the tax year 2018 annual inflation adjustments to reflect changes from the Tax Cuts and Jobs Act (TCJA). The tax year 2018 adjustments are generally used on tax returns filed in 2019.

The tax items affected by TCJA for tax year 2018 of greatest interest to most taxpayers include the following dollar amounts:

- **The standard deduction for married filing jointly rises to \$24,000.** For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,000; for heads of households, \$18,000.
- **The TCJA reduced the personal exemption.** The personal exemption for tax year 2018 is \$0.
- **TCJA reduced tax rates for many taxpayers. The new tax rates are: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent and a top rate of 37 percent.** For tax year 2018, the highest tax rate will apply to married individuals filing jointly and surviving spouses with taxable incomes over \$600,000, to single taxpayers and heads of households with incomes over \$500,000, and to married taxpayers filing separately with incomes over \$300,000.
- **The TCJA eliminates the limitation for itemized deductions.**
- **The Alternative Minimum Tax exemption amount for tax year 2018 is greatly increased under TCJA.** For tax year 2018, the exemption amount for single taxpayers is \$70,300 and begins to phase out at \$500,000, and the

exemption amount for married couples filing jointly is \$109,400 and begins to

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- The maximum earned income credit amount will be \$6,431 for taxpayers with 3 or more qualifying children, for 2018. Other earned income credit amounts are detailed in Revenue Procedure 2018-18.
- For tax year 2018, participants who have self-only coverage in a **Medical Savings Account**, the plan must have an annual deductible that is not less than \$2,300, but not more than \$3,450. For self-only coverage, the maximum out-of-pocket expense amount is **\$4,550**. For tax year 2018, participants with family coverage, the floor for the annual deductible is **\$4,550**; however, the deductible cannot be more than \$6,850. For family coverage, the out-of-pocket expense limit is \$8,400 for tax year 2018. (Only the "\$4,550" amount differs from what was in the IR-2017-178.)

Items unaffected by the TCJA The dollar amounts for the following items described in the inflation adjustment news release issued in Oct. 2017 remain unchanged under the new method for adjusting for inflation required by the TCJA:

- For tax year 2018, the annual exclusion for gifts is \$15,000.
- For tax year 2018, the monthly limitation for the qualified transportation fringe benefit is \$260, as is the monthly limitation for qualified parking.
- For tax year 2018, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$114,000.
- For calendar year 2018, the dollar amount used to determine the penalty for not maintaining minimum essential health coverage is \$695.

This news release replaces IR-2017-178, which provided the inflation adjusted items under the law prior to enactment of the TCJA.

[Revenue Procedure 2018-18](#) provides greater detail on these and other inflation adjusted items affected by the recently enacted tax law. See also [Revenue Procedure 2018-22](#).

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