THOMSON REUTERS
CHECKPOINT®

Projected 2018 Inflation-Adjusted Tax Brackets and Other Key Figures

SPECIAL REPORT

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Thomson Reuters Checkpoint projects inflation-adjusted 2018 tax brackets and other key figures

The break points to the income tax brackets, standard deduction amounts, exemption amount and many other tax items are adjusted annually for cost-of-living increases. These inflation adjustments are based on the average Consumer Price Index (CPI) for the 12-month period ending the previous Aug. 31.

The August 2017 CPI has been released by the Labor Department. (U.S. Department of Labor, Consumer Price Index (for all-urban consumers), 9/14/2017) Using the CPI for August 2017 (and the CPIs for the preceding 11 months), Thomson Reuters Checkpoint has calculated the following 2018 indexed amounts.

Tax rate schedules. The tax rate schedules for 2018 will be as follows:

FOR MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES						
IF TAXABLE INCOME IS:				**THE TAX IS:**		
Not over	$19,050			10% of taxable income		
	$19,050	but not over	$77,400	$1,905	plus 15% of the excess over	$19,050
Over	$77,400	but not over	$156,150	$10,657.50	plus 25% of the excess over	$77,400
Over	$156,150	but not over	$237,950	$30,345	plus 28% of the excess over	$156,150
Over	$237,950	but not over	$424,950	$53,249	plus 33% of the excess over	$237,950
Over	$424,950	but not over	$480,050	$114,959	plus 35% of the excess over	$424,950
Over	$480,050			$134,244	plus 39.6% of the excess over	$480,050

FOR SINGLE INDIVIDUALS (OTHER THAN HEADS OF HOUSEHOLDS AND SURVIVING SPOUSES)						
IF TAXABLE INCOME IS:				**THE TAX IS:**		
Not over	$9,525			10% of taxable income		
Over	$9,525	but not over	$38,700	$952.50	plus 15% of the excess over	$9,525
Over	$38,700	but not over	$93,700	$5,328.75	plus 25% of the excess over	$38,700
Over	$93,700	but not over	$195,450	$19,078.75	plus 28% of the excess over	$93,700
Over	$195,450	but not over	$424,950	$47,568.75	plus 33% of the excess over	$195,450
Over	$424,950	but not over	$426,700	$123,303.75	plus 35% of the excess over	$424,950
Over	$426,700			$123,916.25	plus 39.6% of the excess over	$426,700

FOR HEADS OF HOUSEHOLDS						
IF TAXABLE INCOME IS:				**THE TAX IS:**		
Not over	$13,600			10% of taxable income		
Over	$13,600	but not over	$51,850	$1,360	plus 15% of the excess over	$13,600
Over	$51,850	but not over	$133,850	$7,097.50	plus 25% of the excess over	$51,850
Over	$133,850	but not over	$216,700	$27,597.50	plus 28% of the excess over	$133,850
Over	$216,700	but not over	$424,950	$50,795.50	plus 33% of the excess over	$216,700
Over	$424,950	but not over	$453,350	$119,518	plus 35% of the excess over	$424,950
Over	$453,350			$129,458	plus 39.6% of the excess over	$453,350

FOR MARRIEDS FILING SEPARATE RETURNS						
IF TAXABLE INCOME IS:				**THE TAX IS:**		
Not over	$9,525			10% of taxable income		
Over	$9,525	but not over	$38,700	$952.50	plus 15% of the excess over	$9,525
Over	$38,700	but not over	$78,075	$5,328.75	plus 25% of the excess over	$38,700
Over	$78,075	but not over	$118,975	$15,172.50	plus 28% of the excess over	$78,075
Over	$118,975	but not over	$212,475	$26,624.50	plus 33% of the excess over	$118,975
Over	$212,475	but not over	$240,025	$57,479.50	plus 35% of the excess over	$212,475
Over	$240,025			$67,122	plus 39.6% of the excess over	$240,025

FOR ESTATES AND TRUSTS						
IF TAXABLE INCOME IS:				**THE TAX IS:**		
Not over	$2,600			15% of taxable income		
Over	$2,600	but not over	$6,100	$390	plus 25% of the excess over	$2,600
Over	$6,100	but not over	$9,300	$1,265	plus 28% of the excess over	$6,100
Over	$9,300	but not over	$12,700	$2,161	plus 33% of the excess over	$9,300
Over	$12,700			$3,283	plus 39.6% of the excess over	$12,700

Standard deductions. The basic standard deduction for 2018 will be:

Joint return or surviving spouse	$13,000	(up from $12,700 for 2017)
Single (other than head of household or surviving spouse)	$6,500	(up from $6,350 for 2017)
Head of household	$9,550	(up from $9,350 for 2017)
Married filing separate returns	$6,500	(up from $6,350 for 2017)

Dependents. For an individual who can be claimed as a dependent on another's return, the basic standard deduction for 2018 will be $1,050 (same as for 2017), or $350 (same as for 2017) plus the individual's earned income — whichever is greater. However, the standard deduction may not exceed the regular standard deduction for that individual.

Older and blind taxpayers. For 2018, the additional standard deduction for married taxpayers 65 or over or blind will be $1,300 (up from $1,250 for 2017). For a single taxpayer or head of household who is 65 or over or blind, the additional standard deduction for 2018 will be $1,600 (up from $1,550 for 2017).

Kiddie tax. The exemption from the kiddie tax for 2018 will be $2,100 (same as for 2017). A parent will be able to elect to include a child's income on the parent's return for 2018 if the child's income is more than $1,050 and less than $10,500 (same as for 2017).

AMT exemption for child subject to kiddie tax. The AMT exemption for 2018 for a child subject to the kiddie tax will be the lesser of (1) $7,650 (up from $7,500 for 2017) plus the child's earned income, or (2) $55,400 (up from $54,300 for 2017).

Personal exemption. The personal exemption amount for 2018 will be $4,150 (up from $4,050 for 2017).

OBSERVATION:
The minimum gross income thresholds for filing will increase for 2018 since they are based on the basic standard deduction, the additional standard deduction, and the exemption amounts.

Phase-out of personal exemption. For 2018, the personal exemption will phase out for taxpayers with the following adjusted gross income amounts:

Joint return or surviving spouse	$320,000	(up from $313,800 for 2017)
Head of household	$293,350	(up from $287,650 for 2017)
Single individual (other than surviving spouse or head of household)	$266,700	(up from $261,500 for 2017)
Married filing separately	$160,000	(up from $156,900 for 2017)

Reduction of itemized deductions. The allowable amount of itemized deductions will be reduced if adjusted gross income in 2018 is more than:

Married filing jointly and surviving spouse	$320,000	(up from $313,800 for 2017)
Head of household	$293,350	(up from $287,650 for 2017)
Single individuals (other than heads of households and surviving spouses)	$266,700	(up from $261,500 for 2017)
Married filing separately	$160,000	(up from $156,900 for 2017)

AMT figures. For 2018, the AMT exemption amounts will be:

Joint returns or surviving spouse	$86,200	(up from $84,500 for 2017)
Unmarried individuals (other than surviving spouses)	$55,400	(up from $54,300 for 2017)
Married individuals filing separate returns	$43,100	(up from $42,250 for 2017)
Estates and trusts	$24,600	(up from $24,100 for 2017)

For 2018, the excess taxable income above which the 28% tax rate applies will be $95,750 for married persons filing separately (up from $93,900 for 2017), and $191,500 for joint returns, unmarried individuals and estates and trusts (up from $187,800 for 2017).

For 2018, the amounts used under Code Sec. 55(d)(3) to determine the phaseout of the exemption amounts will be:

Joint returns or surviving spouse	$164,100	(up from $160,900 for 2017)
Unmarried individuals (other than surviving spouses)	$123,100	(up from $120,700 for 2017)
Married filing separately and estates and trusts	$82,050	(up from $80,450 for 2017)

Educator expenses. For 2018, eligible elementary and secondary school teachers can claim an above-the line deduction for up to $250 per year of expenses paid for books and certain other supplies used in the classroom (same as for 2017).

Interest exclusion for higher education. For 2018, the phase-out for excluding interest on U.S. savings bonds redeemed to pay qualified higher education expenses will begin at modified adjusted gross income (MAGI) above $79,700 ($119,550 on a joint return). For 2017, the corresponding figures are $78,150 and $117,250.

Qualified transportation fringe benefits. For 2018, an employee will be able to exclude up to $260 (up from $255 for 2017) a month for qualified parking expenses, and up to $260 a month (up from $255 for 2017) of the combined value of transit passes and transportation in a commuter highway vehicle.

Refundable child credit. For 2018, the child credit will be refundable to the extent of the greater of:

15% of earned income above $3,000 (same as for 2017), or
for taxpayers with three or more qualifying children, the excess of the taxpayer's social security taxes for the tax year over his earned income tax credit for the year. (Code Sec. 24(d))

Earned income tax credit. For 2018, the maximum amount of earned income on which the earned income tax credit will be computed is $6,800 for taxpayers with no qualifying children, $10,200 for taxpayers with one qualifying child, and $14,320 for taxpayers with two or more qualifying children. These amounts are up from $6,670, $10,000, and $14,040 for 2017.

For 2018, the phaseout of the allowable earned income tax credit will begin at $14,200 for joint filers with no qualifying children ($8,510 for others with no qualifying children), and at $24,400 for joint filers with one or more qualifying children ($18,700 for others with one or more qualifying children). These amounts are up from $13,930, $8,340, $23,930 and $18,340 for 2017.

OBSERVATION:
Taxpayers must use IRS tables to determine the amount of their earned income tax credit. While these tables are based on the inflation-adjusted figures set out above, because the credit under the tables is the same for everyone within a $50 range, there may be slight differences between the credit under the tables and the credit the taxpayer would determine using those inflation-adjusted figures.

The amount of disqualified income (generally investment income) a taxpayer may have before losing the entire earned income tax credit will be $3,500 for 2018 (up from $3,450 for 2017).

Education credits. For 2018, the Hope Scholarship Credit under Code Sec. 25A(b)(1), as increased by the American Opportunity Tax Credit under Code Sec. 25A(i), will be an amount equal to 100% of qualified tuition and related expenses not in excess of $2,000 plus 25% of those expenses in excess of $2,000, but not in excess of $4,000 (same as for 2017). Accordingly, the maximum credit for 2018 will be $2,500 (same as for 2017).

For 2018, a taxpayer's MAGI in excess of $80,000 ($160,000 for a joint return) will be used to determine the reduction under Code Sec. 25A(d)(2) in the amount of the Hope Scholarship Credit otherwise allowable under Code Sec. 25A(a)(1) (same as for 2017).

For 2018, a taxpayer's MAGI in excess of $57,000 (up from $56,000 for 2017), $114,000 for a joint return (up from $112,000 in 2017) will be used to determine the reduction under Code Sec. 25A(d)(2) in the amount of the Lifetime Learning Credit otherwise allowable under Code Sec. 25A(a)(2).

Expensing. The amount that may be expensed under Code Sec. 179 for 2018 will be $520,000 (up from $510,000 for 2017). For 2018, the expensing limit will be reduced when more than $2,070,000 of expensing-eligible property is placed in service (up from $2,030,000 for 2017).

Adoption credit. For 2018, the credit allowed for an adoption of a child with special needs will be $13,840 (up from $13,570 for 2017). The maximum credit allowed for other adoptions will be the amount of qualified adoption expenses up to $13,840 (up from $13,570 for 2017).

For 2018, the credit will begin to phase out for taxpayers with MAGI in excess of $207,580 (up from $203,540 for 2017). The phaseout will be complete if MAGI is $247,580 (up from $243,540 for 2017).

Adoption exclusion. For 2018, the amount that can be excluded from an employee's gross income for the adoption of a child with special needs will be $13,840 (up from $13,570 for 2017). For 2018, the maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee will be $13,840 (up from $13,570 for 2017).

For 2018, the amount excludable from an employee's gross income will begin to phase out for taxpayers with MAGI in excess of $207,580 (up from $203,540 for 2017). The phaseout will be complete if MAGI is $247,580 (up from $243,540 for 2017).

Student loan interest deduction. For 2018, the deduction phases out ratably for taxpayers other than joint filers with MAGI between $65,000 and $80,000 (same as for 2017), and MAGI between $135,000 and $165,000 for joint filers (same as for 2017).

MAGI limits for making deductible contributions by active plan participants to traditional IRAs. In general, an individual who isn't an active participant in certain employer-sponsored retirement plans, and whose spouse isn't an active participant, may make an annual deductible cash contribution to an IRA up to the lesser of: (1) an inflation-adjusted statutory dollar limit, or (2) 100% of the compensation that's includible in his gross income for that year. For 2018, the statutory dollar limit is $5,500 (same as for 2017), plus an additional $1,000 for those age 50 or older. If the individual (or his spouse) is an active plan participant, the deduction phases out over a specified dollar range of MAGI.

For taxpayers filing joint returns, the otherwise allowable deductible contribution will be phased out ratably for 2018 for MAGI between $101,000 and $121,000 (up from $99,000 and $119,000 for 2017).

For 2018, for single taxpayers and heads of household, the otherwise allowable deductible contribution will be phased out ratably for MAGI between $63,000 and $73,000 (up from $62,000 and $72,000 for 2017). For married taxpayers filing separate returns, the otherwise allowable deductible contribution will continue to be phased out ratably for MAGI between $0 and $10,000 (same as for 2017).

For a married taxpayer who is not an active plan participant but whose spouse is such a participant, the otherwise allowable deductible contribution will be phased out ratably for 2018 for MAGI between $189,000 and $199,000 (up from between $186,000 and $196,000 for 2017).

MAGI limits for making contributions to Roth IRAs. Individuals may make nondeductible contributions to a Roth IRA, subject to the overall limit on IRA contributions. The maximum annual contribution that can be made to a Roth IRA is phased out for taxpayers with MAGI over certain levels for the tax year. For taxpayers filing joint returns, the otherwise allowable contributions to a Roth IRA will be phased out ratably for 2018 for MAGI between $189,000 and $199,000 (up from $186,000 and $196,000 for 2017). For single taxpayers and heads of household, it will be phased out ratably for MAGI between $120,000 and $135,000 (up from $118,000 and $133,000 for 2017). For married taxpayers filing separate returns, the otherwise allowable contribution will continue to be phased out ratably for MAGI between $0 and $10,000 (same as for 2017).

Saver's credit. For tax years beginning in 2018, an eligible lower-income taxpayer can claim a nonrefundable tax credit for the applicable percentage (50%, 20%, or 10%, depending on filing status and AGI) of up to $2,000 of his qualified retirement savings contributions, as follows:

Joint filers	$0 to $38,000, 50%	$38,000 to $41,000, 20%	$41,000 to $63,000, 10% (no credit if AGI is above $63,000)
Heads of households	$0 to $28,500, 50%	$28,500 to $30,750, 20%	$30,750 to $47,250, 10% (no credit if AGI is above $47,250)
All other filers	$0 to $19,000, 50%	$19,000 to $20,500, 20%	$20,500 to $31,500, 10% (no credit if AGI is above $31,500)

By way of comparison, for tax years beginning in 2017, an eligible lower-income taxpayer can claim a nonrefundable tax credit for the applicable percentage (50%, 20%, or 10%, depending on filing status and AGI) of up to $2,000 of his qualified retirement savings contributions, as follows:

Joint filers	$0 to $37,000, 50%	$37,000 to $40,000, 20%	$40,000 to $62,000, 10% (no credit if AGI is above $62,000)
Heads of households	$0 to $27,750, 50%	$27,750 to $30,000, 20%	$30,000 to $46,500, 10% (no credit if AGI is above $46,500)
All other filers	$0 to $18,500, 50%	$18,500 to $20,000, 20%	$20,000 to $31,000, 10% (no credit if AGI is above $31,000)

Long-term care premiums. Amounts paid for insurance that covers qualified long-term care services are treated as medical expenses up to specified dollar limits that vary with the age of the taxpayer as of the close of the tax year. For 2018, the dollar limits will be: for a taxpayer age 40 or younger, $420 (up from $410 for 2017); more than 40 but not more than 50, $780 (up from $770 for 2017); more than 50 but not more than 60, $1,560 (up from $1,530 for 2017); more than 60 but not more than 70, $4,160 (up from $4,090 for 2017); and more than 70, $5,200 (up from $5,110 for 2017).

Payments received under qualified long-term care insurance. Amounts received under a qualified long-term care insurance contract are generally excludable as amounts received for personal injuries and sickness, subject to a per diem limitation, which will be $360 in 2018 (same as for 2017).

OBSERVATION:
The above two adjustments are calculated based on the medical care component of the CPI.

Archer MSAs. For Archer medical savings account (MSA) purposes, in 2018, a "high deductible health plan" will be a health plan:

- With an annual deductible of at least $2,300 (up from $2,250 for 2017) and not more than $3,450 (up from $3,350 for 2017), in the case of self-only coverage; and
- With an annual deductible of at least $4,600 (up from $4,500 for 2017) and not more than $6,850 (up from $6,750 for 2017), in the case of family coverage; and
- Under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits doesn't exceed:

$4,600 (up from $4,500 for 2017) for self-only coverage, and
$8,400 (up from $8,250 for 2017) for family coverage

Limit on health FSA salary reduction contributions under a cafeteria plan. For purposes of determining whether a health FSA benefit will be a "qualified benefit" under Code Sec. 125, for the 2018 plan year, the cafeteria plan must provide that an employee may not elect to have salary reduction contributions in excess of $2,650 made to the health FSA (up from $2,600 for 2017).

Premium tax credit — limitations on repayment. If the amount of advance premium tax credit payments paid to an insurer on a taxpayer's behalf exceeds the amount of premium tax credit to which the taxpayer is ultimately entitled, the excess is owed as an additional income tax liability, subject to certain inflation-adjusted limitations based on the taxpayer's household income. For 2018, if a taxpayer's household income is under 200% of the federal poverty line (FPL), the maximum amount the taxpayer repays for unmarried individuals (other than surviving spouses and heads of household) is $300 (same as for 2017); 200% — 300% of FPL, $775 (up from $750 for 2017) and 300% — 400% of FPL, $1,300 (up from $1,275 for 2017); and for all other taxpayers, $600 (same as for 2017); 200% — 300% of FPL, $1,550 (up from $1,500 for 2017) and 300% — 400% of FPL, $2,600 (up from $2,550 for 2017).

Applicable dollar amount — individual mandate. For 2018, the applicable dollar amount used to determine the penalty under Code Sec. 5000A(c) for failure to maintain minimum essential coverage is $695 (same as for 2017).

Small employer health insurance credit. An eligible small employer may claim, subject to a phaseout, a credit equal to 50% of nonelective contributions for health insurance for its employees. The credit is reduced under certain circumstances, including if the average annual full-time equivalent wages per employee are more than $26,700 for 2018 (up from $26,200 for 2017).

Qualified small employer HRA. For 2018, a qualified small employer HRA under Code Sec. 9831(d)(2) is an arrangement which, among other requirements, makes payments and reimbursements for qualifying medical care expenses of an eligible employee that do not exceed $5,050 (up from $4,950 for 2017), or $10,250 in the case of an arrangement that also provides for payments or reimbursements for family members of the employee (up from $10,000 for 2017).

Insubstantial benefit charitable contribution limitation. Certain de minimis benefits provided by a charity to a donor don't affect the donor's charitable contribution deductions. Under these rules, charitable contributions will be fully deductible in 2018 if (1) the donor makes a minimum payment of $54.50 (up from $53.50 for 2017) and receives certain benefits with a cost of not more than $10.90 (up from $10.70 for 2017) or (2) the charity mails or otherwise distributes free unordered ''low-cost articles'' with a cost of not more than $10.90 (up from $10.70 for 2017). In addition, charitable contributions will be fully deductible if the benefit received by the donor isn't more than the lesser of $109 (up from $107 for 2017) or 2% of the amount of the contribution.

Dues paid to agricultural or horticultural organizations. Annual dues not exceeding $166 for 2018 (up from $162 for 2017) for membership in an agricultural or horticultural organization won't be unrelated business income despite any benefits or privileges to which members of the organization will be entitled.

Reporting exemption for exempt organizations with lobbying expenditures. For 2018, social welfare, agricultural and horticultural organizations are exempt from the requirement that they report to their members the portion of their dues allocable to lobbying if 90% or more of their annual dues are received from persons, families, or entities who pay dues of $115 or less (up from $113 for 2017).

Maximum hourly fee for attorneys under Code Sec. 7430(c)(1). The maximum hourly amount allowed for attorney's fees to a prevailing party under Code Sec. 7430(c)(1) will be $200 an hour for fees incurred in 2018 (same as for 2017).

Mechanics' lien priority over tax liens. The holder of a lien for $7,840 or less for the repair or improvement of a personal residence will have priority over notices of tax liens filed in 2018 (up from $7,690 for 2017).

Sales price priority over tax liens. A nondealer purchaser of household goods, personal effects, etc. will be protected against a tax lien filed in 2018 if the sales price is not over $1,570 (up from $1,540 for 2017).

Property exempt from levy. The value of property exempt from levy under Code Sec. 6334(a)(2) (fuel, provisions, furniture, and other household personal effects, as well as arms for personal use, livestock and poultry) may not exceed $9,380 for levies in 2018 (up from $9,200 for 2017). The value of property exempt from levy under Code Sec. 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) may not exceed $4,690 for levies issued in 2018 (up from $4,600 for 2017).

''Seriously delinquent'' tax debt warranting revocation or denial of passport. For 2018, the State Department can take action to revoke or limit the passport of an individual with a ''seriously delinquent tax debt,'' as defined in Code Sec. 7345, in excess of $51,000 (up from $50,000 for 2017).

Low-income housing credit figures. For 2018, the per low-income qualified basis amount under Code Sec. 42(e)(3)(A)(ii) is $6,800 (up from $6,700 for 2017). The population component of the state low-income housing credit ceiling dollar amount under Code Sec. 42(h)(3)(C)(ii) for 2018 is the greater of: (1) $2.40 (up from $2.35 for 2017) multiplied by the state population, or (2) $2,765,000 (up from $2,710,000 for 2017).

State ceiling for volume caps on qualified bonds. For 2018, the amount used under Code Sec. 146(d)(1) to calculate the state ceiling for the volume cap for private activity bonds is the greater of (1) $105 (up from $100 for 2017) multiplied by the state population, or (2) $311,375,000 (up from $305,315,000 for 2017).

Loan limits on agricultural bonds. For 2018, the loan limit amount on agricultural bonds under Code Sec. 147(c)(2) is $534,600 (up from $524,200 for 2017).

Arbitrage rebate computation credit. For any bond year ending in 2018, the amount of the computation credit under Reg § 1.148-3(d)(4) is $1,700 (up from $1,670 for 2017).

Nonlife insurance company's election to be taxed only on investment income. For 2018, nonlife insurance companies with net written premiums (or direct written premiums if greater) not in excess of $2,300,000 in the tax year (up from $2,250,000 for 2017) may elect to be taxed at regular corporate rates only on taxable investment income, instead of being taxed on both investment and underwriting income.

Safe harbor for broker commissions. For calendar year 2018, under Reg § 1.148-5(e)(2)(iii)(B)(1), a broker's commission or similar fee for the acquisition of a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is reasonable if (1) the amount of the fee that the issuer treats as a qualified administrative cost does not exceed the lesser of (A) $40,000 (up from $39,000 for 2017), and (B) 0.2% of the computational base or, if more, $4,000 (same as for 2017); and (2) the issuer does not treat more than $113,000 (up from $111,000 for 2017) in brokers' commissions or similar fees as qualified administrative costs for all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with gross proceeds of the issue.

Deemed substantiation for reimbursement of employees' expenses. Under an optional deemed substantiation rule, eligible employers in the pipeline construction industry can provide reimbursements that will be treated as made under an accountable plan to employees who furnish welding rigs or mechanics rigs. (Rev Proc 2002-41, 2002-1 CB 1098) For calendar year 2018, an eligible employer may pay up to $18 per hour (up from $17 for 2017) for rig-related expenses. If the employer provides fuel or otherwise reimburses fuel expenses, an eligible employer may pay up to $11 per hour (same as for 2017).

Unified estate and gift tax exclusion amount. For gifts made and estates of decedents dying in 2018, the exclusion amount will be $5,600,000 (up from $5,490,000 for gifts made and estates of decedents dying in 2017).

Generation-skipping transfer (GST) tax exemption. The exemption from GST tax will be $5,600,000 for transfers in 2018 (up from $5,490,000 for transfers in 2017).

Gift tax annual exclusion. For gifts made in 2018, the gift tax annual exclusion will be $15,000 (up from $14,000 for gifts made in 2017).

Special use valuation reduction limit. For estates of decedents dying in 2018, the limit on the decrease in value that can result from the use of special valuation will be $1,140,000 (up from $1,120,000 for 2017).

Determining 2% portion for interest on deferred estate tax. In determining the part of the estate tax that is deferred on a farm or closely-held business that is subject to interest at a rate of 2% a year, for decedents dying in 2018, the tentative tax will be computed on $1,520,000 (up from $1,490,000 for 2017) plus the applicable exclusion amount.

Increased annual exclusion for gifts to noncitizen spouses. For gifts made in 2018, the annual exclusion for gifts to noncitizen spouses will be $152,000 (up from $149,000 for 2017).

Reporting foreign gifts. If the value of the aggregate "foreign gifts" received by a U.S. person (other than an exempt Code Sec. 501(c) organization) exceeds a threshold amount, the U.S. person must report each "foreign gift" to IRS. (Code Sec. 6039F(a)) Different reporting thresholds apply for gifts received from (a) nonresident alien individuals or foreign estates, and (b) foreign partnerships or foreign corporations. For gifts from a nonresident alien individual or foreign estate, reporting is required only if the aggregate amount of gifts from that person exceeds $100,000 during the tax year. For gifts from foreign corporations and foreign partnerships, the reporting threshold amount will be $16,111 in 2018 (up from $15,797 for 2017).

Expatriation. For 2018, an individual with "average annual net income tax" of more than $165,000 (up from $162,000 for 2017) for the five tax years ending before the date of the loss of U.S. citizenship will be a covered expatriate. Under a mark-to-market deemed sale rule, all property of a covered expatriate is treated as sold on the day before the expatriation date for its fair market value. However, for 2018, the amount that would otherwise be includible in the gross income of any individual under these mark-to-market rules will be reduced by $713,000 (up from $699,000 for 2017).

Foreign earned income exclusion. The foreign earned income exclusion amount will increase to $104,100 in 2018 (up from $102,100 in 2017).

Failure to file tax return. For 2018, the minimum penalty under Code Sec. 6651(a) for failure to timely file a tax return is $215 (up from $210 for 2017).

Failure to file certain information returns, registration statements, etc. For 2018, the following penalty amounts under Code Sec. 6652 apply:

1. For failure to file an annual return required under Code Sec. 6033(a)(1) (for exempt organizations) or Code Sec. 6012(a)(6) (for political organizations):
    a. for an organization under Code Sec. 6652(c)(1)(A), $20 per day (same as for 2017), subject to a $10,000 maximum (same as for 2017);
    b. for an organization with gross receipts exceeding $1,049,000 (up from $1,028,500 for 2017): $100 per day (same as for 2017) subject to a $52,000 maximum (same as for 2017); for managers under Code Sec. 6652(c)(1)(B), $10 per day (same as for 2017) subject to a $5,000 maximum (same as for 2017); for public inspection of annual returns and reports under Code Sec. 6652(c)(1)(C), $20 per day (same as for 2017) subject to a $10,000 maximum (same as for 2017); and for public inspection of applications for exemption and notice of status under Code Sec. 6652(c)(1)(D), $20 per day (same as for 2017) with no maximum (same as for 2017).
2. For failure to file a return required under Code Sec. 6034 (for certain trusts) or Code Sec. 6043(b) (relating to terminations, etc., of exempt organizations):
    a. for an organization or trust under Code Sec. 6652(c)(2)(A), $10 per day (same as for 2017) subject to a $5,000 maximum (same as for 2017);
    b. for managers under Code Sec. 6652(c)(2)(B), $10 per day (same as for 2017) subject to a $5,000 maximum (same as for 2017);
    c. for split-interest trusts under Code Sec. 6652(c)(2)(C)(ii), $20 per day (same as for 2017) subject to a $10,000 maximum (same as for 2017); and
    d. for any trust with gross receipts exceeding $262,000 (up from $257,000 for 2017) under Code Sec. 6652(c)(2)(C)(ii), $100 per day (same as for 2017) subject to a $52,000 maximum (up from $51,000 for 2017).
3. For failure to file a disclosure required under Code Sec. 6033(a)(2):
    a. for a tax-exempt entity under Code Sec. 6652(c)(3)(A), $100 per day (same as for 2017) subject to a $52,000 maximum (up from $51,000 for 2017); and
    b. for failure to comply with written demand under Code Sec. 6652(c)(3)(B)(ii), $100 per day (same as for 2017) subject to a $10,000 maximum (same as for 2017).

Other assessable penalties with respect to the preparation of tax returns for other persons. For 2018, the following penalty amounts under Code Sec. 6695 apply:

1. For failure to furnish a copy to taxpayer under Code Sec. 6695(a), failure to sign return under Code Sec. 6695(b), failure to furnish identifying number under Code Sec. 6695(c), failure to retain a copy or list under Code Sec. 6695(d), $50 per return or claim for refund (same as for 2017) subject to a maximum penalty of $26,000 (up from $25,500 for 2017).

2. For failure to file correct information returns under Code Sec. 6695(e), $50 per return or item in return (same as for 2017) subject to a $26,000 maximum (up from $25,500 for 2017).

3. For negotiation of check under Code Sec. 6695(f), $520 per check with no limit (up from $510 for 2017).

4. For failure to be diligent in determining eligibility for earned income credit under Code Sec. 6695(g), $520 per return or claim for refund with no limit (up from $510 for 2017).

Failure to file partnership return. For 2018, the dollar amount used to determine the amount of the penalty under Code Sec. 6698(b)(1) is $200 (same as for 2017).

Failure to file S corporation return. The dollar amount used to determine the amount of the penalty under Code Sec. 6699(b)(1) is $200 (same as for 2017).

Failure to file correct information returns. For 2018, the penalty amounts under Code Sec. 6721 are:

1. For persons with average annual gross receipts for the most recent three tax years of more than $5 million, for failure to file correct information returns:

   a. under Code Sec. 6721(a)(1)'s general rule, $270 per return (up from $260 for 2017) subject to a $3,282,500 calendar year maximum (up from $3,218,500 for 2017);

   b. if corrected on or before 30 days after the required filing date under Code Sec. 6721(b)(1), $50 per return (same as for 2017) subject to a $547,000 calendar year maximum (up from $536,000 for 2017); and

   c. if corrected after the 30th day but on or before August 1 under Code Sec. 6721(b)(2), $100 per return (same as for 2017) subject to a $1,641,000 calendar year maximum (up from $1,609,000 for 2017).

2. For persons with average gross receipts for the most recent three tax years of $5 million or less, for failure to file correct information returns:

   a. under Code Sec. 6721(d)(1)(A)'s general rule, $270 per return (up from $260 for 2017) subject to a $1,094,000 calendar year maximum (up from $1,072,000 for 2017);

   b. if corrected on or before 30 days after the required filing date under Code Sec. 6721(d)(1)(B), $50 per return (same as for 2017) subject to a $191,000 calendar year maximum (up from $187,500 for 2017); and

   c. if corrected after the 30th day but on or before August 1 under Code Sec. 6721(d)(1)(C), $100 per return (same as for 2017) subject to a $547,000 calendar year maximum (up from $536,000 for 2017).

3. For failure to file correct information returns due to intentional disregard of the filing requirement (or the correct information reporting requirement):

   a. under Code Sec. 6721(e)(2)(A), for a return other than a return required to be filed under Code Sec. 6045(a), Code Sec. 6041A(b), Code Sec. 6050H, Code Sec. 6050I, Code Sec. 6050J, Code Sec. 6050K, Code Sec. 6050L, per-return penalty equal to the greater of $540 (up from $530 for 2017) or 10% of the aggregate amount of items required to be reported correctly with no limit;

   b. under Code Sec. 6721(e)(2)(B), for a return to be filed under Code Sec. 6045(a), Code Sec. 6050K, or Code Sec. 6050L, per-return penalty equal to the greater of $540 (up from $530 for 2017) or 5% of the aggregate amount of items required to be reported correctly with no limit;

   c. under Code Sec. 6721(e)(2)(C), for a return required to be filed under Code Sec. 6050I(a), per-return penalty equal to the greater of $27,350 or the amount of cash received up to $109,000 (up from $26,820 and $107,000 for 2017); and

   d. under Code Sec. 6721(e)(2)(D), for a return required to be filed under Code Sec. 6050V, per-return penalty equal to the greater of $540 (up from $530 for 2017) or 10% of the value of the benefit of any contract with respect to which information is required to be included on the return with no limit.

Failure to furnish correct payee statements. For 2018, the penalty amounts under Code Sec. 6722 are:

1. For persons with average annual gross receipts for the most recent three tax years of more than $5 million:

   a. under Code Sec. 6722(a)(1)'s general rule, $270 penalty per return (up from $260 for 2017) subject to a $3,282,500 calendar year maximum (up from $3,218,500 for 2017);

   b. if corrected on or before 30 days after the required filing date under Code Sec. 6722(b)(1), $50 per return (same as for 2017) subject to a $547,000 calendar year maximum (up from $536,000 for 2017); and

   c. if corrected after the 30th day but on or before August 1 under Code Sec. 6722(b)(2), $100 per return (same as for 2017) subject to a $1,641,000 calendar year maximum (up from $1,609,000 for 2017).

2. For persons with average annual gross receipts for the most recent three tax years of $5 million or less:

   a. under Code Sec. 6722(d)(1)(A)'s general rule, $270 per return (up from $260 for 2017) subject to a $1,094,000 calendar year maximum (up from $1,072,500 for 2017);

   b. if corrected on or before 30 days after the required filing date under Code Sec. 6722(d)(1)(B), $50 per return (same as for 2017) subject to a $191,000 calendar year maximum (up from $187,500 for 2017); and

   c. if corrected after the 30th day but on or before August 1 under Code Sec. 6722(d)(1)(C), $100 per return (same as for 2017) subject to a $547,000 calendar year maximum (up from $536,000 for 2017).

3. Where failure is due to intentional disregard of the requirement to furnish a payee statement (or the correct reporting requirement):

   a. under Code Sec. 6722(e)(2)(A), for a statement other than one required under Code Sec. 6045(b), Code Sec. 6041A (in respect of a return required under Code Sec. 6041A(b), Code Sec. 6050H(d), Code Sec. 6050J(3), Code Sec. 6050IK(b), or Code Sec. 6050L(c), per-return penalty equal to the greater of $540 (up from $530 for 2017) or 10% of the aggregate amount of items required to be reported correctly with no limit; and

   b. under Code Sec. 6722(e)(2)(B), for a payee statement required under Code Sec. 6045(b), Code Sec. 6050K(b), or Code Sec. 6050L(c), per-return penalty equal to the greater of $540 (up from $530 for 2017) or 5% of the aggregate amount of items required to be reported correctly with no limit.

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