

Tax Brackets and Tax Rates. The big news is, of course, the tax brackets and tax rates for 2018. The top tax rate remains 39.6%. The other marginal rates are: 10%, 15%, 25%, 28%, 33% and 35% (there is also a zero rate). Here's how it breaks out:

Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is Between:	The Tax Due Is:
0 - \$19,050	10% of taxable income
\$19,051 - \$77,400	\$1,905 + 15% of the amount over \$19,050
\$77,401 - \$156,150	\$10,657.50 + 25% of the amount over \$77,400
\$156,151 - \$237,950	\$30,345 + 28% of the amount over \$156,150
\$237,951 - \$424,950	\$53,249 + 33% of the amount over \$237,950
\$424,951 - \$480,050	\$114,959 + 35% of the amount over \$424,950
\$480,051 +	\$134,244 + 39.6% of the amount over \$480,050

MFJ 2018

Heads of Household

If Taxable Income Is Between:	The Tax Due Is:
0 - \$13,600	10% of taxable income
\$13,601 - \$51,850	\$1,360 + 15% of the amount over \$13,600
\$51,851 - \$133,850	\$7,097.50 + 25% of the amount over \$51,850
\$133,850 - \$216,700	\$27,597.50 + 28% of the amount over \$133,850
\$216,701 - \$424,950	\$50,795.50 + 33% of the amount over \$216,700
\$424,951 - \$453,350	\$119,518 + 35% of the amount over \$424,950
\$453,351 +	\$129,458 + 39.6% of the amount over \$453,350

HOH 2018

Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,525	10% of taxable income
\$9,526- \$38,700	\$952.50 + 15% of the amount over \$9,525
\$38,701 - \$93,700	\$5,328.75 + 25% of the amount over \$38,700
\$93,701 - \$195,450	\$19,078.75 + 28% of the amount over \$93,700
\$195,451 - \$424,950	\$47,568.75 + 33% of the amount over \$195,450
\$424,951 - \$426,700	\$123,303.75 + 35% of the amount over \$424,950
\$426,701 +	\$123,916.25 + 39.6% of the amount over \$426,700

Single

Married Filing Separately

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 15% of the amount over \$9,525
\$38,701 - \$78,075	\$5,328.75 + 25% of the amount over \$38,700
\$78,076 - \$118,975	\$15,172.50 + 28% of the amount over \$78,075
\$118,976 - \$212,475	\$26,624.50 + 33% of the amount over \$118,975
\$212,476 - \$240,025	\$57,479.50 + 35% of the amount over \$212,475
\$240,026 +	\$67,122 + 39.6% of the amount over \$240,025

MFS 2018

The **standard deduction** for single taxpayers and married couples filing separately is \$6,500 in 2018, up from \$6,350 in 2017; for married couples filing jointly, the standard deduction is \$13,000, up from \$12,700 in the prior year; and for heads of households, the standard deduction is \$9,550 for 2018, up from \$9,350. The numbers look like this:

Filing Status	Standard Deduction Amount
Single	\$6,500
Married Filing Jointly & Surviving Spouse	\$13,000
Married Filing Separately	\$6,500
Head of Household	\$9,550

Std Deduction

- For 2018, the **additional standard deduction** amount for the aged or the blind is \$1,300. The additional standard deduction amount increases to \$1,600 for unmarried taxpayers.
- For 2018, the **standard deduction for a taxpayer who can be claimed as a dependent by another taxpayer** cannot exceed the greater of (a) \$1,050 or (b) \$350 *plus* the dependent's earned income.

For high-income taxpayers who **itemize their deductions**, the Pease limitations, named after former Rep. Don Pease (D-OH) may cap or phase out certain deductions. The Pease thresholds for 2018 are:

Pease Limitations

Filing Status	Pease Threshold Begins:
Individual	\$266,700
Married Filing Jointly & Surviving Spouses	\$320,000
Head of Household	\$293,350
Married Filing Separately	\$160,000

Pease Limitations

If the Pease limitations apply, the total of your itemized deductions is reduced by the lesser of 3% of AGI above the threshold or 80% of the amount of itemized deductions otherwise allowable. Pease limitations apply to charitable donations, the home mortgage interest deduction, state & local tax deductions, and miscellaneous itemized deductions. They do not apply to medical expenses, investment expenses, gambling losses, and certain theft & casualty losses.

(You can read more about the Pease limitations and how they affect high-income taxpayers here.)

The **personal exemption amount** for 2018 is \$4,150. However, the exemption is subject to a phase-out for married taxpayers with an adjusted gross income (AGI) beginning at \$266,700 (\$320,000 for married couples filing jointly) and phasing out completely at \$389,200 (\$442,500 for married couples filing jointly). Other phaseouts apply as follows:

Personal Exemption Phaseout “PEP” Thresholds

Filing Status	PEP Threshold Begins	PEP Threshold Ends
Individual	\$266,700	\$389,200
Married Filing Jointly	\$320,000	\$442,500
Head of Household	\$293,550	\$415,850
Married Filing Separately	\$160,000	\$221,250

PEP 2018

The **alternative minimum tax (AMT) exemption amounts** are now permanently adjusted for inflation. For 2018, the AMT exemption amounts are as follows:

Filing Status	Exemption Amount:
Individual	\$55,400
Married Filing Jointly & Surviving Spouses	\$86,200
Married Filing Separately	\$43,100
Trusts & Estates	\$24,600

AMT 2018

The **kiddie tax** applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages and salary, like dividends and interest. For 2018, the kiddie tax threshold - meaning the amount of unearned net income that a child can take

home without paying any federal income tax - remains at \$1,050. That means all unearned income in excess of \$2,100 is taxed at the child's parent's tax rate.

- There's an AMT for the kiddie tax, too. For 2018, the **AMT exemption amount for the kiddie tax** may not exceed the sum of the child's earned income *plus* \$7,650.

Some **tax credits** are also adjusted for 2018. Some of the most common tax credits are:

- **Earned Income Tax Credit (EITC).** For 2018, the maximum EITC amount available is \$6,444 for taxpayers filing jointly who have 3 or more qualifying children. The revenue procedure has a table providing maximum credit amounts for other categories, income thresholds, and phase-outs.
- **Child & Dependent Care Credit.** For 2018, the value used to determine the amount of credit that may be refundable is \$3,000 (the credit amount has not changed). Keep in mind that this is the value of the expenses used to determine the credit and not the actual amount of the credit.
- **Adoption Credit.** For 2018, the credit allowed for an adoption of a child with special needs is \$13,840, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,840. Phaseouts apply beginning with modified adjusted gross income (MAGI) in excess of \$207,580 and completely phased out for taxpayers with MAGI of \$247,580 or more.
- **Lifetime Learning Credit.** Income restrictions apply to the Lifetime Learning Credit. For 2018, the adjusted gross income amount used to determine the reduction in the Lifetime Learning Credit is \$57,000 (or \$114,000 for joint filers).

Changes were also made to certain **tax deductions, deferrals & exclusions** for 2018. You'll find some of the most common here:

- **Student Loan Interest Deduction.** For 2018, the maximum amount that you can take as a deduction for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with modified adjusted gross income (MAGI) in excess of \$65,000 (\$135,000 for joint returns) and is completely phased out for taxpayers with modified adjusted gross income (MAGI) of \$80,000 or more (\$165,000 or more for joint returns).
- **Foreign Earned Income Exclusion.** For tax year 2018, the foreign earned income exclusion is \$104,100, up from \$102,100 for tax year 2017.
- **Transportation and Parking Benefits.** For 2018, the monthly limitation for the qualified transportation fringe benefit is \$260 (up just \$5) for transportation in a commuter highway vehicle or any transit pass, as well as qualified parking.

- **Medical Savings Accounts (MSA).** For 2018, a high deductible health plan (HDHP) is one that, for participants who have self-only coverage in an MSA, has 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 \$4,500. For 2018, HDHP means, for participants with family coverage, an annual deductible that is not less than \$4,600 but not more than \$6,850; for family coverage, the maximum out of pocket expense is \$8,400.

Taxpayers that don't maintain health insurance coverage must claim a waiver or exemption or be subject to the **shared individual responsibility payment**. For 2018, that penalty is equal to 2.5% of your adjusted gross income (AGI), or \$695 per adult and \$347.50 per child, up to a maximum of \$2,085, whichever is higher. That amount is unchanged from 2017.