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IRS Releases Inflation Adjusted Amounts

Cross References

- IR-2026-133

The IRS has released the 2027 annual inflation adjusted amounts for almost 70 tax provisions, which will be covered in Tab 1 of TheTaxBook 1040/Deluxe Edition for tax year 2026. Inflation adjustments for retirement plans will be released later this month.

The tax year 2027 adjustments described below generally apply to tax returns filed in 2028. The tax items for tax year 2027 of greatest interest to most taxpayers include the following dollar amounts:

- Standard Deduction. For tax year 2027, the standard deduction increases to $33,200 for married couples filing jointly, up $1,000 from 2026. For single taxpayers and married individuals filing separately, the standard deduction rises to $16,600 for tax year 2027, and for heads of households, the standard deduction will be $24,925.
- Marginal Rates. For tax year 2027, the top tax rate remains 37% for individual single taxpayers with incomes greater than $661,375 ($793,650 for married couples filing jointly). The other rates are:
  35% for incomes over $264,550 ($529,100 for married couples filing jointly);
  32% for incomes over $208,325 ($416,650 for married couples filing jointly);
  24% for incomes over $109,125 ($218,250 for married couples filing jointly);
  22% for incomes over $52,025 ($104,050 for married couples filing jointly);
  12% for incomes over $12,800 ($25,600 for married couples filing jointly).
  The lowest rate is 10% for single individuals with incomes of $12,800 or less ($25,600 for married couples filing jointly).
- Child Tax Credit. The maximum amount of the child tax credit for 2027 is $2,300, an increase of $100 from 2026. For tax year 2027, the amount of credit that may be refundable is $1,800, also up $100 from 2026.
- Alternative Minimum Tax Exemption Amounts. For tax year 2027, the exemption amount for unmarried individuals is $93,000 and begins to phase out at $515,950 ($144,700 for married couples filing jointly for whom the exemption begins to phase out at $1,031,900).
- Estate Tax Exclusion. Estates of decedents who die during 2027 have a basic exclusion amount of $15,480,000, up from $15,000,000 for estates of decedents who died in 2026. For calendar year 2027, the first $20,000 of gifts to any person are not included in the total amount of taxable gifts made during the year – up from $19,000 for calendar year 2026.
- Annual Exclusion for Gifts. For calendar year 2027, the annual exclusion for gifts increases to $20,000, up from $19,000 for calendar year 2026. However, the annual exclusion for gifts to a spouse who is not a citizen of the United States increases to $201,000 for calendar year 2027, up from $194,000 for calendar year 2026.

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- Expensing. For tax year 2027, taxpayers can expense up to $2,640,000 of section 179 property, up from $2,560,000 for tax year 2026. The limit for sport utility vehicles for tax year 2027 is $33,100, up from $32,000 for tax year 2026.
- Adoption Credit. The maximum credit allowed for adoptions for tax year 2027 is the amount of qualified adoption expenses up to $18,250, up from $17,670 for 2026. For tax year 2027, the amount of credit that may be refundable is $5,280.
- Employer-Provided Childcare Tax Credit. OBBBA significantly enhanced an important credit for employers. For tax year 2027, the maximum amount of employer-provided childcare tax credit rises to $515,943.67, up from $500,000 for 2026 ($619,132.40 if the employer is an eligible small business).
- Earned Income Tax Credit. The tax year 2027 maximum Earned Income Tax Credit (EITC) amount is $8,496 for qualifying taxpayers who have three or more qualifying children, up from $8,231 for tax year 2026. Revenue Procedure 2026-35 contains a table providing maximum EITC amount for other categories, income thresholds and phase-outs.
- Qualified Transportation Fringe Benefit. For tax year 2027, the monthly limitation for the qualified transportation fringe benefit and the monthly limitation for qualified parking increases to $350, up $10 from 2026.
- Health Flexible Spending Cafeteria Plans. For tax years beginning in 2027, the dollar limitation for voluntary employee salary reductions for contributions to health flexible spending arrangements increases to $3,500, up $100 from the prior year. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount is $700, an increase of $20 from tax years beginning in 2026.
- Medical Savings Accounts. For tax year 2027, participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than $3,000, up $100 from tax year 2026 – but not more than $4,550, an increase of $150 from tax year 2026. For self-only coverage, the maximum out-of-pocket expense amount is $6,050, up $200 from 2026. For tax year 2027, for family coverage, the annual deductible is not less than $6,050, up from $5,850 for 2026; however, the deductible cannot be more than $9,050, up $300 from the limit for tax year 2026. For family coverage, the out-of-pocket expense limit is $11,050 for tax year 2027, an increase of $250 from tax year 2026.
- Foreign Earned Income Exclusion. For tax year 2027, the foreign earned income exclusion is $137,300, up from $132,900 for tax year 2026.

Items unaffected by indexing. By statute, certain items that were indexed for inflation in the past are currently not adjusted.

- Personal Exemptions. For tax year 2027, personal exemptions remain at 0, as in tax year 2026. The elimination of the personal exemption was a provision in the Tax Cuts and Jobs Act of 2017 and was made permanent by the One Big Beautiful Bill Act (OBBBA). (The personal exemption described here does not include the senior deduction added by OBBBA.)
- Itemized Deductions. The limitation on itemized deductions was previously eliminated for tax years 2018 - 2025. The elimination of the limitation was made permanent by OBBBA, although it imposes a limitation on the tax benefit from itemized deductions for those taxpayers in the highest tax bracket (37%).

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- Lifetime Learning Credits. The modified adjusted gross income (MAGI) amount used to phase out the Lifetime Learning Credit has not been adjusted for inflation for tax years beginning after December 31, 2020. The Lifetime Learning Credit is phased out for taxpayers with MAGI between $80,000 and $90,000 ($160,000 and $180,000 for joint returns).

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