

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 23, 24, 32, 42, 45R, 55, 59, 62, 63, 125, 132(f), 135, 137, 146, 147, 148, 152, 179, 179D, 199A, 213, 220, 221, 448, 461, 512, 513, 529A, 642, 831, 877, 877A, 911, 1274A, 2032A, 2503, 2523, 2801, 4161, 4261, 4611, 6033, 6039F, 6323, 6334, 6601, 6651, 6652, 6695, 6698, 6699, 6721, 6722, 6726, 7345, 7430, 7702B, 9831; 1.148-5.)

Rev. Proc. 2025-32

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SECTION 1. PURPOSE

This revenue procedure modifies certain sections of Rev. Proc. 2024-40, 2024-45 I.R.B. 1100, to reflect the amendments to the Internal Revenue Code (Code) by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). This revenue procedure sets forth inflation-adjusted items for 2026 for various Code provisions as in effect on October 9, 2025.

The inflation-adjusted items for the Code sections set forth in section 4 of this revenue procedure are generally determined by reference to § 1(f). To the extent amendments to the Code are enacted for 2025 or 2026 after October 9, 2025, taxpayers should consult additional guidance to determine whether these adjustments remain applicable for 2026.

SECTION 2. CHANGES

.01 Section 70101 of the OBBBA amends § 1(j) to make the tax rate tables that were effective for taxable years beginning after December 31, 2017, and before January 1, 2026, permanent. The existing seven tax rates of 10%, 12%, 22%, 24%, 32%, 35%,

and 37% remain in effect for individual taxpayers. The existing four tax rates of 10%, 24%, 35%, and 37% remain in effect for estates and trusts.

.02 Section 70402 of the OBBBA adds § 23(a)(4) which provides that so much of the credit allowed under § 23(a)(1) as does not exceed \$5,000 is treated as a refundable credit. This amount is adjusted for inflation for taxable years beginning after December 31, 2025.

.03 Section 70104 of the OBBBA amends § 24 to make the increased and expanded child tax credit under § 24(h) that were effective for taxable years beginning after December 31, 2017, and before January 1, 2026, permanent. In addition, the OBBBA amends § 24(h)(2) to provide that the maximum amount of child tax credit is \$2,200 for any taxable year beginning in 2025. This amount is adjusted for inflation for taxable years beginning after December 31, 2025.

.04 Section 71305 of the OBBBA removes § 36B(f)(2)(B), which limited the tax increase from excess advance payments for certain households, effective for taxable years beginning after December 31, 2025. Accordingly, the inflation adjustment to § 36B(f)(2)(B) is removed from this revenue procedure.

.05 Section 70401 of the OBBBA amends § 45F to increase the amount of employer provided childcare credit and provide for adjustment of the maximum amount of the allowable credit for inflation. Section 70401(b) of the OBBBA amends § 45F(b)(2) by increasing the maximum credit amounts to \$500,000 (\$600,000 if the employer is an eligible small business) for taxable years beginning after December 31, 2025. These amounts will be adjusted for inflation for taxable years beginning after December 31, 2026.

.06 Section 70107 of the OBBBA amends § 55(d)(4) to make the temporary increases of the exemption amounts and the phaseout threshold amounts that were effective for taxable years beginning after December 31, 2017, and before January 1, 2026, permanent. Section § 55(d)(4)(B) as amended provides that the \$1,000,000 amount described in § 55(d)(4)(A)(ii)(I) is not adjusted for inflation for any taxable year beginning before January 1, 2027

.07 Section 70102 of the OBBBA amends § 63(c)(7) to make the temporary increases of the basic standard deduction amounts provided in § 63(c)(2) that were effective for taxable years beginning after December 31, 2017, and before January 1, 2026, permanent, and further increased the base amounts. As a result, § 63(c)(7) as amended by the OBBBA provides that, for taxable years beginning after December 31, 2024, the basic standard deduction amounts provided in § 63(c)(2) are increased to \$15,750 for single individuals and married individuals filing separate returns; \$23,625 for heads of households; and \$31,500 for married individuals filing a joint return and surviving spouses. These amounts are adjusted for inflation for taxable years beginning after 2025. See section 3 of this revenue procedure for removal of section 2.15(1) of Rev. Proc. 2024-40.

.08 Section 70412 of the OBBBA amends § 127(c)(1)(B) to make the temporary expansion of the term "educational assistance" to include employer payments of principal or interest on any qualified education loan made before January 1, 2026, permanent. The maximum exclusion amount of \$5,250 will be adjusted for inflation for taxable years beginning after 2026.

.09 Section 70306 of the OBBBA amends § 179 by increasing the maximum amount a taxpayer may expense under § 179(b)(1) and the phaseout threshold amount under § 179(b)(2). The OBBBA amendments to § 179 apply to property placed in service in taxable years beginning after December 31, 2024. Under § 179(b)(1), the maximum amount allowable is \$2,500,000. Under § 179(b)(2), the \$2,500,000 amount is reduced by the amount by which the cost of § 179 property placed in service during the taxable year exceeds \$4,000,000, but not below \$0. These amounts are adjusted for inflation for taxable years beginning after December 31, 2025. See section 3 of this revenue procedure for removal of section 2.25 of Rev. Proc. 2024-40.

.10 Section 70507 of the OBBBA terminated § 179D for property the construction of which begins after June 30, 2026.

.11 Section 70105 of the OBBBA amended § 199A(i) to add a minimum deduction of \$400. Additionally, a taxpayer will be required to have a minimum of \$1,000 of qualified business income to be eligible for the deduction, effective for taxable years beginning after December 31, 2025. The \$400 and \$1,000 amounts in § 199A(i) will be adjusted for inflation for taxable years beginning after 2026.

12 Section 70115 of the OBBBA amended § 529A(b)(2)(B)(i) to vary the manner in which the aggregate annual limitation on contributions made after December 31, 2025, is adjusted for inflation from that provided in § 2503(b). Accordingly, the inflation adjustment to the amount under § 529A(b)(2)(B)(i) is separately added to this revenue procedure.

.13 Section 70106 of the OBBBA amends § 2010(c)(3) by increasing the basic exclusion amount to \$15,000,000 for calendar year 2026. The basic exclusion amount

is a component of the applicable exclusion amount described in § 2010(c)(2) and is used in determining the applicable credit amount against estate tax described in § 2010(c)(1) and the applicable credit amount against gift tax described in § 2505(a)(1). For calendar year 2026, the generation-skipping transfer exemption amount under § 2631(c) is equal to \$15,000,000. These numbers are adjusted for inflation for taxable years beginning after December 31, 2026. The basic exclusion amount will be adjusted for inflation for calendar year 2027 and future years.

.14 Section 70433(a) of the OBBBA amends § 6041(a) to increase the threshold amount for reporting payments made in the course of a trade or business. Section 70433(c) and (d) of the OBBBA amends §§ 6041A(a)(2) (requiring reporting for remuneration for services) and 3406(b)(6) (requiring backup withholding for payments reportable under § 6041), respectively, to cross-reference the § 6041(a) threshold. For payments made after December 31, 2025, the base threshold under section 6041(a) is \$2,000. This base threshold amount is adjusted for inflation for returns required to be filed in calendar year 2027.

.15 Section 70421(d)(2)(A) of the OBBBA adds § 6726, which, effective for taxable years beginning after July 4, 2025, imposes a penalty for failure to file a return in the time and manner prescribed for a qualified opportunity fund or qualified rural opportunity fund under § 6039K. Section 6726(b) provides for a penalty of \$500 per day with a maximum penalty of \$10,000 per return (\$50,000 if the gross assets of the fund are greater than \$10,000,000). Section 6726(c) provides penalties of \$2,500 per day with a maximum penalty is \$50,000 per return (\$250,000 if the gross assets of the fund are greater than \$10,000,000), if the failure to file is due to intentional disregard. These

amounts are effective for taxable years that begin after the enactment of the OBBBA.

These amounts are adjusted for inflation for returns required to be filed in calendar years beginning after 2026.

SECTION 3. 2025 ADJUSTED ITEMS AS MODIFIED, SUPERSEDED OR SUPPLEMENTED

.01 Removal of Section 2.15(1) of Rev. Proc. 2024-40. Section 63(c)(7) as amended by the OBBBA provides the standard deduction amounts under § 63(c)(2) for any taxable year beginning in 2025 as follows:

<u>Filing Status</u>	<u>Standard Deduction</u>
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(j)(2)(A))	\$31,500
Heads of Households (§ 1(j)(2)(B))	\$23,625
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(j)(2)(C))	\$15,750
Married Individuals Filing Separate Returns (§ 1(j)(2)(D))	\$15,750

Accordingly, section 2.15(1) of Rev. Proc. 2024-40 is removed.

.02 Removal of Section 2.25 of Rev. Proc. 2024-40.

(1) Section 179(b)(1) as amended by the OBBBA provides that the maximum amount allowable for expensing under § 179 is \$2,500,000 for any taxable year beginning in 2025. Section § 179(b)(2) as amended by the OBBBA provides that, for any taxable year beginning in 2025, the \$2,500,000 amount is reduced by the amount by which the cost of § 179 property placed in service during the taxable year exceeds \$4,000,000, but not below \$0. Accordingly, section 2.25 of Rev. Proc. 2024-40 is removed.

(2) Conforming change. The Table of Contents of Rev. Proc. 2024-40 is modified by removing the entry for section 2.25, "Election to Expense Certain Depreciable Assets."

SECTION 4. 2026 ADJUSTED ITEMS

.01 Tax Rate Tables. For taxable years beginning in 2026, the tax rate tables under § 1 are as follows:

TABLE 1 - Section 1(j)(2)(A) –Married Individuals Filing Joint Returns and Surviving Spouses

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$24,800	10% of the taxable income
Over \$24,800 but not over \$100,800	\$2,480 plus 12% of the excess over \$24,800
Over \$100,800 but not over \$211,400	\$11,600 plus 22% of the excess over \$100,800
Over \$211,400 but not over \$403,550	\$35,932 plus 24% of the excess over \$211,400
Over \$403,550 but not over \$512,450	\$82,048 plus 32% of the excess over \$403,550
Over \$512,450 but not over \$768,700	\$116,896 plus 35% of the excess over \$512,450
Over \$768,700	\$206,583.50 plus 37% of the excess over \$768,700

TABLE 2 - Section 1(j)(2)(B) – Heads of Households

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$17,700	10% of the taxable income
Over \$17,700 but not over \$67,450	\$1,770 plus 12% of the excess over \$17,700
Over \$67,450 but not over \$105,700	\$7,740 plus 22% of the excess over \$67,450

Over \$105,700 but not over \$201,775	\$16,155 plus 24% of the excess over \$105,700
Over \$201,750 but not over \$256,200	\$39,207 plus 32% of the excess over \$201,750
Over \$256,200 but not over \$640,600	\$56,631 plus 35% of the excess over \$256,200
Over \$640,600	\$191,171 plus 37% of the excess over \$640,600

TABLE 3 - Section 1(j)(2)(C) – Unmarried Individuals (other than Surviving Spouses and Heads of Households)

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$12,400	10% of the taxable income
Over \$12,400 but not over \$50,400	\$1,240 plus 12% of the excess over \$12,400
Over \$50,400 but not over \$105,700	\$5,800 plus 22% of the excess over \$50,400
Over \$105,700 but not over \$201,775	\$17,966 plus 24% of the excess over \$105,700
Over \$201,775 but not over \$256,225	\$41,024 plus 32% of the excess over \$201,775
Over \$256,225 but not over \$640,600	\$58,448 plus 35% of the excess over \$256,225
Over \$640,600	\$192,979.25 plus 37% of the excess over \$640,600

TABLE 4 - Section 1(j)(2)(D) – Married Individuals Filing Separate Returns

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$12,400	10% of the taxable income
Over \$12,400 but not over \$50,400	\$1,240 plus 12% of the excess over \$12,400
Over \$50,400 but not over \$105,700	\$5,800 plus 22% of the excess over \$50,400

Over \$105,700 but not over \$201,775	\$17,996 plus 24% of the excess over \$105,700
Over \$201,775 but not over \$256,225	\$41,024 plus 32% of the excess over \$201,775
Over \$256,225 but not over \$384,350	\$58,448 plus 35% of the excess over \$256,225
Over \$384,350	\$103,291.75 plus 37% of the excess over \$384,350

TABLE 5 - Section 1(j)(2)(E) – Estates and Trusts

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$3,300	10% of the taxable income
Over \$3,300 but not over \$11,700	\$330 plus 24% of the excess over \$3,300
Over \$11,700 but not over \$16,000	\$2,346 plus 35% of the excess over \$11,700
Over \$16,000	\$3,851 plus 37% of the excess over \$16,000

.02 Unearned Income of Minor Children Subject to the "Kiddie Tax". For taxable years beginning in 2026, the amount in § 1(g)(4)(A)(ii)(I), which is used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is \$1,350. This \$1,350 amount is the same as the amount provided in § 63(c)(5)(A), as adjusted for inflation. The same \$1,350 amount is used for purposes of § 1(g)(7) to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax." For example, one of the requirements for the parental election is that a child's gross income is more than the amount referred to in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child's gross income for 2026 must be more than \$1,350 but less than \$13,500.

.03 Maximum Capital Gains Rate (§ 1(h), § 1(j)(5)). For taxable years beginning in 2026, the maximum zero rate amounts and maximum 15 percent rate amounts under § 1(j)(5)(B), as adjusted for inflation, are as follows:

<u>Filing Status</u>	<u>Maximum Zero Rate Amount</u>	<u>Maximum 15% Rate Amount</u>
Married Individuals Filing Joint Returns and Surviving Spouse	\$98,900	\$613,700
Married Individuals Filing Separate Returns	\$49,450	\$306,850
Heads of Household	\$66,200	\$579,600
All Other Individuals	\$49,450	\$545,500
Estates and Trusts	\$3,300	\$16,250

.04 Adoption Credit.

(1) Adoption Credit for Children with Special needs. For taxable years beginning in 2026, under § 23(a)(3), the credit allowed for an adoption of a child with special needs is \$17,670.

(2) Adoption Credit Limitation. For taxable years beginning in 2026, under § 23(b)(1), the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$17,670. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$265,080 and is completely phased out for taxpayers with modified adjusted gross income of \$305,080 or more. See section 4.18 of this revenue procedure for the adjusted items relating to adoption assistance programs.

(3) Refundable Portion. For taxable years beginning in 2026, the amount used in § 23(a)(4) to determine the amount of the credit under § 23 that may be refundable is \$5,120.

.05 Child Tax Credit.

(1) Maximum amount of the credit. For taxable years beginning in 2026, the maximum amount of the credit allowed under § 24(a) is \$2,200.

(2) Refundable portion. For taxable years beginning in 2026, the amount used in § 24(d)(1)(A) to determine the amount of the credit under § 24 that may be refundable is \$1,700.

.06 Earned Income Credit.

(1) In general. For taxable years beginning in 2026, the following amounts are used to determine the earned income credit under § 32(b). The "earned income amount" is the amount of earned income at or above which the maximum amount of the earned income credit is allowed. The "threshold phaseout amount" is the amount of adjusted gross income (or, if greater, earned income) above which the maximum amount of the credit begins to phase out. The "completed phaseout amount" is the amount of adjusted gross income (or, if greater, earned income) at or above which no credit is allowed. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for married taxpayers filing a joint return include the increase provided in § 32(b)(2)(B), as adjusted for inflation for taxable years beginning in 2026. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for taxpayers with all other filing statuses also apply to married taxpayers who are not filing a joint return and satisfy the special rules for separated spouses in § 32(d).

Number of Qualifying Children

<u>Item</u>	<u>One</u>	<u>Two</u>	<u>Three or More</u>	<u>None</u>
Earned Income Amount	\$13,020	\$18,290	\$18,290	\$8,680
Maximum Amount of Credit	\$4,427	\$7,316	\$8,231	\$664
Threshold Phaseout Amount (Married Filing Jointly)	\$31,160	\$31,160	\$31,160	\$18,140
Completed Phaseout Amount (Married Filing Jointly)	\$58,863	\$65,899	\$70,224	\$26,820
Threshold Phaseout Amount (All other filing statuses)	\$23,890	\$23,890	\$23,890	\$10,860
Completed Phaseout Amount (All other filing statuses)	\$51,593	\$58,629	\$62,974	\$19,540

The instructions for the Form 1040 series provide tables showing the amount of the earned income credit for each type of taxpayer.

(2) Excessive Investment Income. For taxable years beginning in 2026, the earned income tax credit is not allowed under § 32(i) if the aggregate amount of certain investment income exceeds \$12,200.

.07 Rehabilitation Expenditures Treated as Separate New Building. For calendar year 2026, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$8,700.

.08 Low-Income Housing Credit. For calendar year 2026, the amount used under § 42(h)(3)(C)(ii) to calculate the State housing credit ceiling for the low-income housing credit is the greater of (1) \$3.05 multiplied by the State population, or (2) \$3,530,000.

.09 Employee Health Insurance Expense of Small Employers. For taxable years beginning in 2026, the dollar amount in effect under § 45R(d)(3)(B) is \$34,100. This amount is used under § 45R(c) for limiting the small employer health insurance credit and under § 45R(d)(1)(B) for determining who is an eligible small employer for purposes of the credit.

.10 Exemption Amounts for Alternative Minimum Tax. For taxable years beginning in 2026, the exemption amounts under § 55(d)(1) are:

<u>Filing status</u>	<u>Exemption amount</u>
Joint Returns or Surviving Spouses	\$140,200
Unmarried Individuals (other than Surviving Spouses)	\$90,100
Married Individuals Filing Separate Returns	\$70,100
Estates and Trusts	\$31,400

For taxable years beginning in 2026, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

<u>Filing status</u>	<u>Excess taxable income</u>
Married Individuals Filing Separate Returns	\$122,250
All Other Taxpayers	\$244,500

For taxable years beginning in 2026, the amounts used under § 55(d)(2) to determine the phaseout of the exemption amounts are:

<u>Filing status</u>	<u>Threshold Phaseout Amount</u>	<u>Complete Phaseout Amount</u>
Joint Returns or Surviving Spouses	\$1,000,000	\$1,280,400
Unmarried Individuals (other than Surviving Spouses)	\$500,000	\$680,200
Married Individuals Filing Separate Returns	\$500,000	\$640,200
Estates and Trusts	\$104,800	\$167,600

.11 Alternative Minimum Tax Exemption for a Child Subject to the "Kiddie Tax." For taxable years beginning in 2026, for a child to whom the § 1(g) "kiddie tax" applies, the exemption amount under §§ 55(d) and 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (1) the child's earned income for the taxable year, plus (2) \$9,750.

.12 Certain Expenses of Elementary and Secondary School Teachers. For taxable years beginning in 2026, under § 62(a)(2)(D), the amount of the deduction allowed under § 162 that consists of expenses paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom is \$350.

.13 Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees Under Accountable Plans. For calendar year 2026, an eligible employer may pay certain welders and heavy equipment mechanics an amount up to \$23 per hour for rig-related expenses that are deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002-41,

2002-1 C.B. 1098. If the employer provides fuel or otherwise reimburses fuel expenses, an amount up to \$14 per hour is deemed substantiated if paid in accordance with Rev. Proc. 2002-41.

.14 Standard Deduction.

(1) In general. For taxable years beginning in 2026, the standard deduction amounts under § 63(c)(2) are as follows:

<u>Filing Status</u>	<u>Standard Deduction</u>
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(j)(2)(A))	\$32,200
Heads of Households (§ 1(j)(2)(B))	\$24,150
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(j)(2)(C))	\$16,100
Married Individuals Filing Separate Returns (§ 1(j)(2)(D))	\$16,100

(2) Dependent. For taxable years beginning in 2026, the standard deduction amount under § 63(c)(5) for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,350, or (2) the sum of \$450 and the individual's earned income.

(3) Aged or blind. For taxable years beginning in 2026, the additional standard deduction amount under § 63(f) for the aged or the blind is \$1,650. The additional standard deduction amount is increased to \$2,050 if the individual is also unmarried and not a surviving spouse.

.15 Cafeteria Plans. For taxable years beginning in 2026, the dollar limitation under § 125(i) on voluntary employee salary reductions for contributions to health flexible

spending arrangements is \$3,400. If the cafeteria plan permits the carryover of unused amounts, the maximum carryover amount is \$680.

.16 Qualified Transportation Fringe Benefit. For taxable years beginning in 2026, the monthly limitation under § 132(f)(2)(A) regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is \$340. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is \$340.

.17 Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses. For taxable years beginning in 2026, the exclusion under § 135, regarding income from United States savings bonds for taxpayers who pay qualified higher education expenses, begins to phase out for modified adjusted gross income above \$152,650 for joint returns and \$101,800 for all other returns. The exclusion is completely phased out for modified adjusted gross income of \$182,650 or more for joint returns and \$116,800 or more for all other returns.

.18 Adoption Assistance Programs. For taxable years beginning in 2026, under § 137(a)(2), the amount that can be excluded from an employee's gross income for the adoption of a child with special needs is \$17,670. For taxable years beginning in 2026, under § 137(b)(1) 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 adoptions by the employee is \$17,670. The amount excludable from an employee's gross income begins to phase out under § 137(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$265,080 and is completely phased out for taxpayers with modified adjusted

gross income of \$305,080 or more. See section 4.04 of this revenue procedure for the adjusted items relating to the adoption credit.

.19 Private Activity Bonds Volume Cap. For calendar year 2026, the amounts used under § 146(d) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) \$135 multiplied by the State population, or (2) \$397,625,000.

.20 Loan Limits on Agricultural Bonds. For calendar year 2026, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is \$682,700.

.21 General Arbitrage Rebate Rules. For bond years ending in 2026, the amount of the computation credit determined under § 1.148-3(d)(4) of the Income Tax Regulations is \$2,170.

.22 Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow. For calendar year 2026, under § 1.148-5(e)(2)(iii)(B)(1) of the Income Tax Regulations, 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) \$51,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(2)) or, if more, \$5,000; and (2) for any issue, the issuer does not treat more than \$145,000 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.

.23 Gross Income Limitation for a Qualifying Relative. For taxable years beginning in 2026, the exemption amount referred to in § 152(d)(1)(B) is \$5,300.

.24 Election to Expense Certain Depreciable Assets. For taxable years beginning in 2026, under § 179(b)(1), the aggregate cost of any § 179 property that a taxpayer elects to treat as an expense cannot exceed \$2,560,000 and, under § 179(b)(5)(A), the cost of any sport utility vehicle that may be taken into account under § 179 cannot exceed \$32,000. Under § 179(b)(2), the \$2,560,000 limitation under § 179(b)(1) is reduced (but not below zero) by the amount by which the cost of § 179 property placed in service during the 2026 taxable year exceeds \$4,090,000.

.25 Energy Efficient Commercial Buildings Deduction. For taxable years beginning in 2026, the applicable dollar value used to determine the maximum allowance of the deduction under § 179D(b)(2) is \$0.59 increased (but not above \$1.19) by \$0.02 for each percentage point by which the total annual energy and power costs for the buildings are certified to be reduced by a percentage greater than 25 percent. For taxable years beginning in 2026, the applicable dollar value used to determine the increased deduction amount for certain property under § 179D(b)(3) is \$2.97 increased (but not above \$5.94) by \$0.12 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25 percent.

.26 Qualified Business Income. For taxable years beginning in 2026, the threshold amounts under § 199A(e)(2) and phase-in range amounts under § 199A(b)(3)(B) and § 199A(d)(3)(A) are:

<u>Filing Status</u>	<u>Threshold amount</u>	<u>Phase-in range amount</u>
Married Individuals Filing Joint Returns	\$403,500	\$553,500
Married Individuals Filing Separate Returns	\$201,775	\$276,775
All Other Returns	\$201,750	\$276,750

.27 Eligible Long-Term Care Premiums. For taxable years beginning in 2026, the limitations under § 213(d)(10), regarding eligible long-term care premiums includible in the term "medical care" are as follows:

<u>Attained Age Before the Close of the Taxable Year</u>	<u>Limitation on Premiums</u>
40 or less	\$500
More than 40 but not more than 50	\$930
More than 50 but not more than 60	\$1,860
More than 60 but not more than 70	\$4,960
More than 70	\$6,200

.28 Medical Savings Accounts.

(1) Self-only coverage. For taxable years beginning in 2026, the term "high deductible health plan" as defined in § 220(c)(2)(A) means, for self-only coverage, a health plan that has an annual deductible that is not less than \$2,900 and not more than \$4,400, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$5,850.

(2) Family coverage. For taxable years beginning in 2026, the term "high deductible health plan" means, for family coverage, a health plan that has an annual deductible that is not less than \$5,850 and not more than \$8,750, and under which the

annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$10,700.

.29 Interest on Education Loans. For taxable years beginning in 2026, the \$2,500 maximum deduction for interest paid on qualified education loans under § 221 begins to phase out under § 221(b)(2)(B), as adjusted for inflation, for taxpayers with modified adjusted gross income in excess of \$85,000 (\$175,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$100,000 or more (\$205,000 or more for joint returns).

.30 Limitation on Use of Cash Method of Accounting. For taxable years beginning in 2026, a corporation or partnership meets the gross receipts test of § 448(c) for any taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with the taxable year which precedes such taxable year does not exceed \$32,000,000.

.31 Threshold for Excess Business Loss. For taxable years beginning in 2026, in determining a taxpayer's excess business loss, the amount under § 461(l)(3)(A)(ii)(II) is \$256,000 (\$512,000 for joint returns).

.32 Treatment of Dues Paid to Agricultural or Horticultural Organizations. For taxable years beginning in 2026, the limitation under § 512(d)(1), regarding the exemption of annual dues required to be paid by a member to an agricultural or horticultural organization, is \$212.

.33 Insubstantial Benefit Limitations for Contributions Associated with Charitable Fund-Raising Campaigns.

(1) Low cost article. For taxable years beginning in 2026, for purposes of defining the term "unrelated trade or business" for certain exempt organizations under § 513(h)(2), "low cost articles" are articles costing \$13.90 or less.

(2) Other insubstantial benefits. For taxable years beginning in 2026, under § 170, the \$5, \$25, and \$50 guidelines in section 3 of Rev. Proc. 90-12, 1990-1 C.B. 471 (as amplified by Rev. Proc. 92-49, 1992-1 C.B. 987, and modified by Rev. Proc. 92-102, 1992-2 C.B. 579), for the value of insubstantial benefits that may be received by a donor in return for a contribution, without causing the contribution to fail to be fully deductible, are \$13.90, \$69.50 and \$139, respectively.

.34 Aggregate Limitation on Contributions to ABLE Accounts. For taxable years beginning in 2026, \$20,000 (instead of instead of the amount under provided in section 4.42(1) of this revenue procedure) is included in the aggregate limitation on contributions to ABLE accounts under § 529A(b)(2)(B)(i).

.35 Special Rules for Credits and Deductions. For taxable years beginning in 2026, the amount of the deduction under § 642(b)(2)(C)(i) is \$5,300.

.36 Tax on Insurance Companies Other than Life Insurance Companies. For taxable years beginning in 2026, under § 831(b)(2)(A)(i) the amount of the limit on net written premiums or direct written premiums (whichever is greater) is \$2,900,000 to elect the alternative tax for certain small companies under § 831(b)(1) to be taxed only on taxable investment income.

.37 Expatriation to Avoid Tax. For calendar year 2026, under § 877A(g)(1)(A), unless an exception under § 877A(g)(1)(B) applies, an individual is a covered expatriate if the individual's "average annual net income tax" under § 877(a)(2)(A) for the five taxable years ending before the expatriation date is more than \$211,000.

.38 Tax Responsibilities of Expatriation. For taxable years beginning in 2026, the amount that would be includible in the gross income of a covered expatriate by reason of § 877A(a)(1) is reduced (but not below zero) by \$910,000 pursuant to § 877A(a)(3).

.39 Foreign Earned Income Exclusion. For taxable years beginning in 2026, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$132,900.

.40 Debt Instruments Arising Out of Sales or Exchanges. For calendar year 2026, a qualified debt instrument under § 1274A(b) has stated principal that does not exceed \$7,462,600, and a cash method debt instrument under § 1274A(c)(2) has stated principal that does not exceed \$5,330,500.

.41 Limitation on Aggregate Decrease in Value of Qualified Real Property in Decedent's Gross Estate. For an estate of a decedent dying in calendar year 2026, if the executor elects to use the special use valuation method under § 2032A for qualified real property, the aggregate decrease in the value of qualified real property resulting from electing to use § 2032A for purposes of the estate tax cannot exceed \$1,460,000.

.42 Annual Exclusion for Gifts and Annual Exception for Covered Gifts and Covered Bequests Received from a Covered Expatriate.

(1) For calendar year 2026, the first \$19,000 of gifts to any person (other than gifts of future interests in property) are not included in the total amount of taxable gifts under § 2503 made during that year.

(2) For calendar year 2026, the first \$194,000 (instead of the amount provided in paragraph (1) of this section 4.42) of gifts to a spouse who is not a citizen of the United States (other than gifts of future interests in property) are not included in the total amount of taxable gifts under §§ 2503 and 2523(i)(2) made during that year.

(3) The tax imposed under § 2801 on the receipt of covered gifts or covered bequests from a covered expatriate shall apply only to the extent that the value of covered gifts and covered bequests received during calendar year 2026 exceeds \$19,000.

.43 Tax on Arrow Shafts. For calendar year 2026, the tax imposed under § 4161(b)(2)(A) on the first sale by the manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows is \$0.65 per shaft.

.44 Passenger Air Transportation Excise Tax. For calendar year 2026, the tax under § 4261(b)(1) on the amount paid for each domestic segment of taxable air transportation is \$5.30. For calendar year 2026, the tax under § 4261(c)(1) on any amount paid (whether within or without the United States) for any international air transportation, if the transportation begins or ends in the United States, generally is \$23.40. Under § 4261(c)(3), however, a lower rate of tax applies under § 4261(c)(1) to a domestic segment beginning or ending in Alaska or Hawaii, and the tax applies only to departures. For calendar year 2026, the rate of tax is \$11.70.

.45 Tax on Certain Uses of Crude Oil and Petroleum Products. For calendar year 2026, the tax imposed under § 4611(a) on crude oil received at a United States refinery and petroleum products entered into the United States for consumption, use, or warehousing is \$0.27 per barrel.

.46 Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures. For taxable years beginning in 2026, the annual per person, family, or entity dues limitation to qualify for the reporting exception under § 6033(e)(3) (and section 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547), regarding certain exempt organizations with nondeductible lobbying expenditures, is \$147 or less.

.47 Notice of Large Gifts Received from Foreign Persons. For taxable years beginning in 2026, § 6039F authorizes the Secretary of the Treasury or her delegate to require recipients of gifts from certain foreign persons to report these gifts if the aggregate value of gifts received in the taxable year exceeds \$20,573.

.48 Persons Against Whom a Federal Tax Lien Is Not Valid. For calendar year 2026, a federal tax lien is not valid against (1) certain purchasers under § 6323(b)(4) who purchased personal property in a casual sale for less than \$2,000, or (2) a mechanic's lienor under § 6323(b)(7) who repaired or improved certain residential property if the contract price with the owner is not more than \$10,010.

.49 Property Exempt from Levy. For calendar year 2026, the value of property exempt from levy under § 6334(a)(2) (fuel, provisions, furniture, and other household personal effects, as well as arms for personal use, livestock, and poultry) cannot exceed \$11,980. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) cannot exceed \$5,990.

.50 Exempt Amount of Wages, Salary, or Other Income. For taxable years beginning in 2026, the dollar amount used to calculate the amount determined under § 6334(d)(4)(B) is \$5,300.

.51 Interest on a Certain Portion of the Estate Tax Payable in Installments. For an estate of a decedent dying in calendar year 2026, the dollar amount used to determine the "2-percent portion" (for purposes of calculating interest under § 6601(j)) of the estate tax extended as provided in § 6166 is \$1,940,000.

.52 Failure to File Tax Return. In the case of any return required to be filed in 2027, the amount of the addition to tax under § 6651(a) for failure to file an income tax return within 60 days of the due date of such return (determined with regard to any extensions of time for filing) will not be less than the lesser of \$535 or 100 percent of the amount required to be shown as tax on such return.

.53 Failure to File Certain Information Returns, Registration Statements, etc. For returns required to be filed in 2027, the penalty amounts under § 6652(c) are:

(1) for failure to file a return required under § 6033(a)(1) (relating to returns by exempt organization) or § 6012(a)(6) (relating to returns by political organizations):

<u>Scenario</u>	<u>Daily Penalty</u>	<u>Maximum Penalty</u>
Organization (§ 6652(c)(1)(A))	\$25	Lesser of \$13,000 or 5% of gross receipts of the organization for the year.
Organization with gross receipts exceeding \$1,339,500 (§ 6652(c)(1)(A))	\$130	\$66,500
Managers (§ 6652(c)(1)(B))	\$10	\$6,500
Public inspection of annual returns and reports (§ 6652(c)(1)(C))	\$25	\$13,000
Public inspection of applications for exemption and notice of status (§ 6652(c)(1)(D))	\$25	No Limit

(2) for failure to file a return required under § 6034 (relating to returns by certain trust) or § 6043(b) (relating to terminations, etc., of exempt organizations):

<u>Scenario</u>	<u>Daily Penalty</u>	<u>Maximum Penalty</u>
Organization or trust (§ 6652(c)(2)(A))	\$10	\$6,500
Managers (§ 6652(c)(2)(B))	\$10	\$6,500
Split-Interest Trust (§ 6652(c)(2)(C)(ii))	\$25	\$13,000
Any trust with gross income exceeding \$334,500 (§ 6652(c)(2)(C)(ii))	\$130	\$66,500

(3) for failure to file a disclosure required under § 6033(a)(2):

<u>Scenario</u>	<u>Daily Penalty</u>	<u>Maximum Penalty</u>
Tax-exempt entity (§ 6652(c)(3)(A))	\$130	\$66,500
Failure to comply with written demand (§ 6652(c)(3)(B)(ii))	\$130	\$13,000

.54 Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons. In the case of any failure relating to a return or claim for refund filed in 2027, the penalty amounts under § 6695 are:

<u>Scenario</u>	<u>Per Return or Claim for Refund</u>	<u>Maximum Penalty</u>
Failure to furnish copy to taxpayer (§ 6695(a))	\$65	\$33,000
Failure to sign return (§ 6695(b))	\$65	\$33,000
Failure to furnish identifying number (§ 6695(c))	\$65	\$33,000
Failure to retain copy or list (§ 6695(d))	\$65	\$33,000
Failure to file correct information returns (§ 6695(e))	\$65 per return and item in return	\$33,000
Negotiation of check (§ 6695(f))	\$665 per check	No limit
Failure to be diligent in determining eligibility for head of household filing status, child tax credit, American Opportunity tax credit, and earned income credit (§ 6695(g))	\$665 per failure	No limit

.55 Failure to File Partnership Return. In the case of any return required to be filed in 2027, the dollar amount used to determine the amount of the penalty under § 6698(b)(1) is \$260.

.56 Failure to File S Corporation Return. In the case of any return required to be filed in 2027, the dollar amount used to determine the amount of the penalty under § 6699(b)(1) is \$260.

.57 Failure to File Correct Information Returns. In the case of any failure relating to a return required to be filed in 2027, the penalty amounts under § 6721 are:

(1) for persons with average annual gross receipts for the most recent three taxable years of more than \$5,000,000, for failure to file correct information returns:

<u>Scenario</u>	<u>Penalty Per Return</u>	<u>Calendar Year Maximum</u>
General Rule (§ 6721(a)(1))	\$340	\$4,191,500
Corrected on or before 30 days after required filing date (§ 6721(b)(1))	\$60	\$698,500
Corrected after 30 th day but on or before August 1, 2026 (§ 6721(b)(2))	\$130	\$2,095,500

(2) for persons with average annual gross receipts for the most recent three taxable years of \$5,000,000 or less, for failure to file correct information returns:

<u>Scenario</u>	<u>Penalty Per Return</u>	<u>Calendar Year Maximum</u>
General Rule (§ 6721(d)(1)(A))	\$340	\$1,397,000
Corrected on or before 30 days after required filing date (§ 6721(d)(1)(B))	\$60	\$244,500
Corrected after 30 th day but on or before August 1, 2026 (§ 6721(d)(1)(C))	\$130	\$698,500

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

<u>Scenario</u>	<u>Penalty Per Return</u>	<u>Calendar Year Maximum</u>
Return other than a return required to be filed under §§ 6045(a), 6041A(b), 6050H, 6050I, 6050J, 6050K, or 6050L (§ 6721(e)(2)(A))	Greater of (i) \$690, or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Return required to be filed under §§ 6045(a), 6050K, or 6050L (§ 6721(e)(2)(B))	Greater of (i) \$690, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit
Return required to be filed under § 6050I(a) (§ 6721(e)(2)(C))	Greater of (i) \$34,930, or (ii) amount of cash received up to \$139,500	No limit
Return required to be filed under § 6050V (§ 6721(e)(2)(D))	Greater of (i) \$690, or (ii) 10% of the value of the benefit of any contract with respect to which information is required to be included on the return	No limit

.58 Failure to Furnish Correct Payee Statements. In the case of any failure relating to a statement required to be furnished in 2027, the penalty amounts under § 6722 are:

(1) for persons with average annual gross receipts for the most recent three taxable years of more than \$5,000,000, for failure to furnish correct payee statements:

<u>Scenario</u>	<u>Penalty Per Statement</u>	<u>Calendar Year Maximum</u>
General Rule (§ 6722(a)(1))	\$340	\$4,191,500
Corrected on or before 30 days after required furnishing date (§ 6722(b)(1))	\$60	\$698,500
Corrected after 30th day but on or before August 1, 2026 (§ 6722(b)(2))	\$130	\$2,095,500

(2) for persons with average annual gross receipts for the most recent 3 taxable years of \$5,000,000 or less, for failure to furnish correct payee statements:

<u>Scenario</u>	<u>Penalty Per Statement</u>	<u>Calendar Year Maximum</u>
General Rule (§ 6722(d)(1)(A))	\$340	\$1,397,000
Corrected on or before 30 days after required furnishing date (§ 6722(d)(1)(B))	\$60	\$244,500
Corrected after 30 th day but on or before August 1, 2026 (§ 6722(d)(1)(C))	\$130	\$698,500

(3) for failure to furnish correct payee statements due to intentional disregard of the requirement to furnish a payee statement (or the correct information reporting requirement):

<u>Scenario</u>	<u>Penalty Per Statement</u>	<u>Calendar Year Maximum</u>
Payee statement other than a statement required under §§ 6045(b), 6041A(e) (in respect of a return required under §§ 6041A(b)), 6050H(d), 6050J(e), 6050K(b), or 6050L(c) (§ 6722(e)(2)(A))	Greater of (i) \$690, or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Payee statement required under §§ 6045(b), 6050K(b), or 6050L(c) (§ 6722(e)(2)(B))	Greater of (i) \$690, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit

.59 Failure to Comply with Information Reporting Requirements Relating to Qualified Opportunity Funds and Qualified Rural Opportunity Funds. In the case of any return required to be filed in 2027, the penalty amount under § 6726 for failure to file a return in the time and manner prescribed for a qualified opportunity fund or qualified rural

opportunity fund under § 6039K is \$510 per day with a maximum penalty of \$10,000 per return (\$51,000 if the gross assets of the fund are greater than \$10,230,000). If the failure to file in the time and manner prescribed is due to intentional disregard, then the penalty is \$2,550 per day with a maximum penalty is \$51,000 per return (\$255,000 if the gross assets of the fund are greater than \$10,230,000).

.60 Revocation or Denial of Passport in Case of Certain Tax Delinquencies. For calendar year 2026, the amount of a serious delinquent tax debt under § 7345 is \$66,000.

.61 Attorney Fee Awards. For fees incurred in calendar year 2026, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$260 per hour.

.62 Periodic Payments Received Under Qualified Long-Term Care Insurance Contracts or Under Certain Life Insurance Contracts. For calendar year 2026, the stated dollar amount of the per diem limitation under § 7702B(d)(4), regarding periodic payments received under a qualified long-term care insurance contract or periodic payments received under a life insurance contract that are treated as paid by reason of the death of a chronically ill individual, is \$430.

.63 Qualified Small Employer Health Reimbursement Arrangement. For taxable years beginning in 2026, to qualify as a qualified small employer health reimbursement arrangement under § 9831(d), the arrangement must provide that the total amount of payments and reimbursements for any year cannot exceed \$6,450 (\$13,100 for family coverage).

SECTION 5. EFFECTIVE DATE

.01 2025 Inflation-Adjusted Items. Section 3 of this revenue procedures applies to taxable years beginning in 2025.

.02 2026 Inflation-Adjusted Items. Except as provided in section 5.03 of this revenue procedure, section 4 of this revenue procedure applies to taxable years beginning in 2026.

.03 Calendar Year Rule. Section 4 of this revenue procedure applies to transactions or events occurring in calendar year 2026 for purposes of sections 4.07 (rehabilitation expenditures treated as separate new building), 4.08 (low-income housing credit), 4.13 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 4.19 (private activity bonds volume cap), 4.20 (loan limits on agricultural bonds), 4.21 (general arbitrage rebate rules), 4.22 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 4.37 (expatriation to avoid taxes), 4.40 (debt instruments arising out of sales or exchanges), 4.41 (limitation on aggregate decrease in value of qualified real property in decedent's gross estate), 4.42 (annual exclusion for gifts and annual exception for covered gifts and covered bequests received from a covered expatriate), 4.43 (tax on arrow shafts), 4.443 (passenger air transportation excise tax), 4.45 (tax on certain uses of crude oil and petroleum products), 4.48 (persons against whom a federal tax lien is not valid), 4.49 (property exempt from levy), 4.51 (interest on a certain portion of the estate tax payable in installments), 4.60 (revocation or denial of passport in case of certain tax delinquencies), 4.61 (attorney fee awards), and 4.62 (periodic payments received under

qualified long-term care insurance contracts or under certain life insurance contracts) of this revenue procedure.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2024-40 is modified.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Michael Finn of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Finn at (202) 317-4718 (not a toll-free call).