

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 23, 24, 25A, 32, 36B, 42, 45R, 55, 59, 62, 63, 125, 132(f), 135, 137, 146, 147, 148, 152, 179, 199A, 213, 220, 221, 448, 461, 512, 513, 642, 831, 877, 877A, 911, 1274A, 2010, 2032A, 2503, 2523, 4161, 4261, 6033, 6039F, 6323, 6334, 6601, 6651, 6652, 6695, 6698, 6699, 6721, 6722, 7345, 7430, 7702B, 9831; 1.148-5.)

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SECTION 1. PURPOSE

This revenue procedure sets forth inflation-adjusted items for 2019 for various provisions of the Internal Revenue Code of 1986 (Code) as amended as of November 15, 2018. To the extent amendments to the Code are enacted for 2019 after November 15, 2018, taxpayers should consult additional guidance to determine whether these adjustments remain applicable for 2019.

SECTION 2. CHANGES

.01 Section 11001(a)(5) of An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. 115-97, 131 Stat. 2504 (the Act), adds § 1(j)(5), which provides a temporary modification to the dollar amounts in § 1(h)(1)(B) and (C) for taxable years beginning after December 31, 2017, and before January 1, 2026. Section 1(j)(5)(B)(i) provides that under § 1(h)(1)(B)(i) the maximum zero rate amount is \$77,200 for a joint return or surviving spouse, \$51,700 for a head of household, half of the amount for a joint return for an individual, and \$2,600 for an estate or trust. Section 1(j)(5)(B)(ii) provides that under § 1(h)(1)(C)(ii)(I) the maximum 15% rate amount is \$479,000 for a joint return or surviving spouse (half of this amount for a married individual filing a separate return), \$452,400 for a head of household, \$425,800 in the case of any other individual (other than an estate or trust), and \$12,700 for an estate or trust. These amounts are adjusted for inflation for taxable years beginning after December 31, 2018.

.02 Section 11022(a) of the Act adds § 24(h), which provides special rules for taxable years beginning after December 31, 2017, and before January 1, 2026. Section 24(h) provides that the value used in § 24(d)(1)(A) to determine the amount of child tax credit under § 24 that may be refundable is \$1,400. The \$1,400 amount is adjusted for inflation for taxable years beginning after December 31, 2018.

.03 Section 11041 of the Act amends § 151(d)(5) to provide a temporary set dollar amount of zero for the personal exemption deduction for taxable years beginning after December 31, 2017, and before January 1, 2026. However, Notice 2018-70, 2018-38 I.R.B. 441, notifies taxpayers that the Department of the Treasury and the Internal

Revenue Service intend to issue proposed regulations to clarify that the reduction of the exemption amount to zero in § 151(d)(5)(A) for taxable years 2018 through 2025 does not apply to the gross income limitation in the definition of a qualifying relative in § 152(d)(1)(B). Thus, the § 151(d) exemption amount referenced in § 152(d)(1)(B) will be treated as \$4,150, as adjusted for inflation, for taxable years in which the § 151(d)(5)(A) exemption amount is zero.

.04 Section 13101 of the Act amends § 179(b)(6) to provide that the \$25,000 limitation of the cost of any sport utility vehicle under § 179(b)(5)(A) is adjusted for inflation for taxable years beginning after December 31, 2018.

.05 Section 11011 of the Act adds § 199A, which provides in part that if for a taxable year a taxpayer has income less than the sum of the threshold amount plus \$50,000 (\$100,000 for joint returns), then any specified service trade or business of the taxpayer shall not fail to be treated as a qualified trade or business due to § 199A(d)(1)(A). Section 199A(e)(2)(A) defines the threshold amount as \$157,500. This \$157,500 amount is adjusted for inflation for taxable years beginning after December 31, 2018.

.06 Section 13102 of the Act amends § 448(c) to provide that a corporation or partnership meets the gross receipts tests 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 \$25,000,000. The \$25,000,000 amount is adjusted for inflation for taxable years beginning after December 31, 2018.

.07 Section 11012 of the Act adds § 461(l) to provide that a taxpayer's excess business loss for the taxable year is the excess, if any, of the taxpayer's aggregate deductions attributable to trades or businesses of the taxpayer (determined without

regard to the limitation of the provision) over the sum of the taxpayer's aggregate gross income or gain attributable to such trades or businesses, plus \$250,000 (twice this amount for joint returns). The \$250,000 amount under § 461(l)(3)(A)(ii)(II) is adjusted for inflation for taxable years beginning after December 31, 2018.

.08 Section 11041(b) of the Act adds § 642(b)(2)(C)(iii), which provides that in years when the personal exemption amount under § 151(d) is zero, § 642(b)(2)(C)(i) shall be applied by substituting \$4,150 for the exemption amount under § 151(d). The \$4,150 amount is adjusted for inflation for taxable years beginning after December 31, 2018.

.09 Section 11002(d)(10) of the Act amended § 1274A(d)(2) to change the calculation of the inflation-adjusted amounts for qualified debt instruments and cash method debt instruments for taxable years beginning after December 31, 2017. In prior years, the inflation-adjusted amounts under § 1274A have been published in a separate revenue ruling. Because of the change to the calculation of the inflation-adjusted amounts under § 1274A, these amounts will be included in this revenue procedure and will no longer be published in a separate revenue ruling. For inflation-adjusted amounts prior to January 1, 2019, see Rev. Rul. 2018-11, 2018-18 I.R.B. 518.

.10 Section 11081 of the Act amends § 5000A to provide that the applicable dollar amount used to determine the penalty under § 5000A(c) for failure to maintain minimum essential coverage is \$0 for taxable years beginning after December 31, 2018.

Accordingly, this amount is not included in this revenue procedure.

.11 Section 11041(d) of the Act adds § 6334(d)(4), which provides that in taxable years in which the personal exemption amount under § 151(d) is zero, the term "exempt amount" means an amount equal to (i) the sum of the amount determined under

§ 6334(d)(4)(B) and the standard deduction, divided by (ii) 52. The amount determined under § 6334(d)(4)(B) is \$4,150 multiplied by the number of the taxpayer's dependents for the taxable year in which the levy occurs. The \$4,150 amount is adjusted for inflation for taxable years beginning after December 31, 2018.

SECTION 3. 2019 ADJUSTED ITEMS

.01 Tax Rate Tables. For taxable years beginning in 2019, 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 \$19,400	10% of the taxable income
Over \$19,400 but not over \$78,950	\$1,940 plus 12% of the excess over \$19,400
Over \$78,950 but not over \$168,400	\$9,086 plus 22% of the excess over \$78,950
Over \$168,400 but not over \$321,450	\$28,765 plus 24% of the excess over \$168,400
Over \$321,450 but not over \$408,200	\$65,497 plus 32% of the excess over \$321,450
Over \$408,200 but not over \$612,350	\$93,257 plus 35% of the excess over \$408,200
Over \$612,350	\$164,709.50 plus 37% of the excess over \$612,350

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

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$13,850	10% of the taxable income
Over \$13,850 but	\$1,385 plus 12% of

not over \$52,850	the excess over \$13,850
Over \$52,850 but not over \$84,200	\$6,065 plus 22% of the excess over \$52,850
Over \$84,200 but not over \$160,700	\$12,962 plus 24% of the excess over \$84,200
Over \$160,700 but not over \$204,100	\$31,322 plus 32% of the excess over \$160,700
Over \$204,100 but not over \$510,300	\$45,210 plus 35% of the excess over \$204,100
Over \$510,300	\$152,380 plus 37% of the excess over \$510,300

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 \$9,700	10% of the taxable income
Over \$9,700 but not over \$39,475	\$970 plus 12% of the excess over \$9,700
Over \$39,475 but not over \$84,200	\$4,543 plus 22% of the excess over \$39,475
Over \$84,200 but not over \$160,725	\$14,382.50 plus 24% of the excess over \$84,200
Over \$160,725 but not over \$204,100	\$32,748.50 plus 32% of the excess over \$160,725
Over \$204,100 but not over \$510,300	\$46,628.50 plus 35% of the excess over \$204,100
Over \$510,300	\$153,798.50 plus 37% of the excess over \$510,300

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

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
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Not over \$9,700	10% of the taxable income
Over \$9,700 but not over \$39,475	\$970 plus 12% of the excess over \$9,700
Over \$39,475 but not over \$84,200	\$4,543 plus 22% of the excess over \$39,475
Over \$84,200 but not over \$160,725	\$14,382.50 plus 24% of the excess over \$84,200
Over \$160,725 but not over \$204,100	\$32,748.50 plus 32% of the excess over \$160,725
Over \$204,100 but not over \$306,175	\$46,628.50 plus 35% of the excess over \$204,100
Over \$306,175	\$82,354.75 plus 37% of the excess over \$306,175

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

<u>If Taxable Income Is:</u>	<u>The Tax Is:</u>
Not over \$2,600	10% of the taxable income
Over \$2,600 but not over \$9,300	\$260 plus 24% of the excess over \$2,600
Over \$9,300 but not over \$12,750	\$1,868 plus 35% of the excess over \$9,300
Over \$12,750	\$3,075.50 plus 37% of the excess over \$12,750

.02 Unearned Income of Minor Children Taxed as if Parent's Income (the "Kiddie Tax"). For taxable years beginning in 2019, 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 \$1,100. This \$1,100 amount is the same as the amount provided in § 63(c)(5)(A), as adjusted for inflation. The same \$1,100 amount is used for purposes of § 1(g)(7) (that is, 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 referenced in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child's gross income for 2019 must be more than \$1,100 but less than \$11,000.

.03 Maximum Capital Gains Rate. For taxable years beginning in 2019, the Maximum Zero Rate Amount under § 1(h)(1)(B)(i) is \$78,750 in the case of a joint return or surviving spouse, \$52,750 in the case of an individual who is a head of household (§ 2(b)), \$39,375 in the case of any other individual (other than an estate or trust), and \$2,650 in the case of an estate or trust. The Maximum 15-percent Rate Amount under § 1(h)(C)(ii)(I) is \$488,850 in the case of a joint return or surviving spouse (1/2 such amount in the case of a married individual filing a separate return), \$461,700 in the case of an individual who is the head of a household (§ 2(b)), \$434,550 in the case of any other individual (other than an estate or trust), and \$12,950 in the case of an estate or trust.

.04 Adoption Credit. For taxable years beginning in 2019, under § 23(a)(3) the credit allowed for an adoption of a child with special needs is \$14,080. For taxable years beginning in 2019, under § 23(b)(1) the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$14,080. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$211,160 and is completely phased out for taxpayers with modified adjusted gross income of \$251,160 or more. (See section 3.20 for the adjusted items relating to adoption assistance programs.)

.05 Child Tax Credit. For taxable years beginning in 2019, the value used in § 24(d)(1)(A) to determine the amount of credit under § 24 that may be refundable is \$1,400.

.06 Lifetime Learning Credit. For taxable years beginning in 2019, a taxpayer's modified adjusted gross income in excess of \$58,000 (\$116,000 for a joint return) is used to determine the reduction under § 25A(d)(2) in the amount of the Lifetime Learning Credit otherwise allowable under § 25A(a)(2).

.07 Earned Income Credit.

(1) In general. For taxable years beginning in 2019, 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)(3)(B)(i), as adjusted for inflation for taxable years beginning in 2019.

<u>Item</u>	<u>Number of Qualifying Children</u>			
	<u>One</u>	<u>Two</u>	<u>Three or More</u>	<u>None</u>
Earned Income Amount	\$10,370	\$14,570	\$14,570	\$6,920
Maximum Amount of Credit	\$3,526	\$5,828	\$6,557	\$529

Threshold Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$19,030	\$19,030	\$19,030	\$8,650
Completed Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$41,094	\$46,703	\$50,162	\$15,570
Threshold Phaseout Amount (Married Filing Jointly)	\$24,820	\$24,820	\$24,820	\$14,450
Completed Phaseout Amount (Married Filing Jointly)	\$46,884	\$52,493	\$55,952	\$21,370

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 2019, the earned income tax credit is not allowed under § 32(i)(1) if the aggregate amount of certain investment income exceeds \$3,600.

.08 Refundable Credit for Coverage Under a Qualified Health Plan. For taxable years beginning in 2019, the limitation on tax imposed under § 36B(f)(2)(B) for excess advance credit payments is determined using the following table:

If the household income (expressed as a percent of poverty line) is:	The limitation amount for unmarried individuals (other than surviving spouses and heads of household) is:	The limitation amount for all other taxpayers is:
Less than 200%	\$300	\$600
At least 200% but less than 300%	\$800	\$1,600
At least 300% but less than 400%	\$1,325	\$2,650

.09 Rehabilitation Expenditures Treated as Separate New Building. For calendar year 2019, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$7,000.

.10 Low-Income Housing Credit. For calendar year 2019, 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) \$2.75625 multiplied by the State population, or (2) \$3,166,875.

.11 Employee Health Insurance Expense of Small Employers. For taxable years beginning in 2019, the dollar amount in effect under § 45R(d)(3)(B) is \$27,100. 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.

.12 Exemption Amounts for Alternative Minimum Tax. For taxable years beginning in 2019, the exemption amounts under § 55(d)(1) are:

Joint Returns or Surviving Spouses	\$111,700
Unmarried Individuals (other than Surviving Spouses)	\$71,700
Married Individuals Filing Separate Returns	\$55,850
Estates and Trusts	\$25,000

For taxable years beginning in 2019, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

Married Individuals Filing Separate Returns	\$97,400
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Joint Returns, Unmarried Individuals (other than surviving spouses), and Estates and Trusts \$194,800

For taxable years beginning in 2019, the amounts used under § 55(d)(3) to determine the phaseout of the exemption amounts are:

Joint Returns or Surviving Spouses	\$1,020,600
Unmarried Individuals (other than Surviving Spouses)	\$510,300
Married Individuals Filing Separate Returns	\$510,300
Estates and Trusts	\$83,500

.13 Alternative Minimum Tax Exemption for a Child Subject to the "Kiddie Tax." For taxable years beginning in 2019, for a child to whom the § 1(g) "kiddie tax" applies, the exemption amount under §§ 55 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) \$7,750.

.14 Certain Expenses of Elementary and Secondary School Teachers. For taxable years beginning in 2019, 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 \$250.

.15 Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees Under Accountable Plans. For calendar year 2019, an eligible employer may pay certain welders and heavy equipment mechanics an amount of up to \$18 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, up to \$11 per hour is deemed substantiated if paid under Rev. Proc. 2002-41.

.16 Standard Deduction.

(1) In general. For taxable years beginning in 2019, 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))	\$24,400
Heads of Households (§ 1(j)(2)(B))	\$18,350
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(j)(2)(C))	\$12,200
Married Individuals Filing Separate Returns (§ 1(j)(2)(D))	\$12,200

(2) Dependent. For taxable years beginning in 2019, 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) \$1,100, or (2) the sum of \$350 and the individual's earned income.

(3) Aged or blind. For taxable years beginning in 2019, the additional standard deduction amount under § 63(f) for the aged or the blind is \$1,300. The additional

standard deduction amount is increased to \$1,650 if the individual is also unmarried and not a surviving spouse.

.17 Cafeteria Plans. For taxable years beginning in 2019, the dollar limitation under § 125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements is \$2,700.

.18 Qualified Transportation Fringe Benefit. For taxable years beginning in 2019, 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 \$265. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is \$265.

.19 Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses. For taxable years beginning in 2019, 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 \$121,600 for joint returns and \$81,100 for all other returns. The exclusion is completely phased out for modified adjusted gross income of \$151,600 or more for joint returns and \$96,100 or more for all other returns.

.20 Adoption Assistance Programs. For taxable years beginning in 2019, 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 \$14,080. For taxable years beginning in 2019, 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 other adoptions by

the employee is \$14,080. 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 \$211,160 and is completely phased out for taxpayers with modified adjusted gross income of \$251,160 or more. (See section 3.04 of this revenue procedure for the adjusted items relating to the adoption credit.)

.21 Private Activity Bonds Volume Cap. For calendar year 2019, the amounts used under § 146(d) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) \$105 multiplied by the State population, or (2) \$316,745,000.

.22 Loan Limits on Agricultural Bonds. For calendar year 2019, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is \$543,800.

.23 General Arbitrage Rebate Rules. For bond years ending in 2019, the amount of the computation credit determined under the permission to rely on § 1.148-3(d)(4) of the proposed Income Tax Regulations is \$1,730.

.24 Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow. For calendar year 2019, under § 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) \$41,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(2)) or, if more, \$4,000; and (2) for any issue, the issuer does not treat more than \$115,000 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.

.25 Gross Income Limitation for a Qualifying Relative. For taxable years beginning in 2019, the exemption amount referenced in § 152(d)(1)(B) is \$4,200.

.26 Election to Expense Certain Depreciable Assets. For taxable years beginning in 2019, under § 179(b)(1), the aggregate cost of any § 179 property that a taxpayer elects to treat as an expense cannot exceed \$1,020,000 and under § 179(b)(5)(A), the cost of any sport utility vehicle that may be taken into account under § 179 cannot exceed \$25,500. Under § 179(b)(2), the \$2,550,000 limitation is reduced (but not below zero) by the amount the cost of § 179 property placed in service during the 2019 taxable year exceeds \$2,550,000.

.27 Qualified Business Income. For taxable years beginning in 2019, the threshold amount under § 199A(e)(2) is \$321,400 for married filing joint returns, \$160,725 for married filing separate returns, and \$160,700 for single and head of household returns.

.28 Eligible Long-Term Care Premiums. For taxable years beginning in 2019, 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	\$420
More than 40 but not more than 50	\$790
More than 50 but not more than 60	\$1,580
More than 60 but not more than 70	\$4,220
More than 70	\$5,270

.29 Medical Savings Accounts.

(1) Self-only coverage. For taxable years beginning in 2019, 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 \$2,350 and not more than \$3,500, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$4,650.

(2) Family coverage. For taxable years beginning in 2019, the term "high deductible health plan" means, for family coverage, a health plan that has an annual deductible that is not less than \$4,650 and not more than \$7,000, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$8,550.

.30 Interest on Education Loans. For taxable years beginning in 2019, the \$2,500 maximum deduction for interest paid on qualified education loans under § 221 begins to phase out under § 221(b)(2)(B) for taxpayers with modified adjusted gross income in excess of \$70,000 (\$140,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$85,000 or more (\$170,000 or more for joint returns).

.31 Limitation on Use of Cash Method of Accounting. For taxable years beginning in 2019, 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 \$26,000,000.

.32 Threshold for Excess Business Loss. For taxable years beginning in 2019, in determining a taxpayer's excess business loss, the amount under § 461(l)(3)(A)(ii)(II) is \$255,000 (\$510,000 for joint returns).

.33 Treatment of Dues Paid to Agricultural or Horticultural Organizations. For taxable years beginning in 2019, 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 \$169.

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

(1) Low cost article. For taxable years beginning in 2019, for purposes of defining the term "unrelated trade or business" for certain exempt organizations under § 513(h)(2), "low cost articles" are articles costing \$11.10 or less.

(2) Other insubstantial benefits. For taxable years beginning in 2019, 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 \$11.10, \$55.50, and \$111, respectively.

.35 Special Rules for Credits and Deductions. For taxable years beginning in 2019, the amount of the deduction under § 642(b)(2)(C)(i) is \$4,200.

.36 Tax on Insurance Companies Other than Life Insurance Companies. For taxable years beginning in 2019, under § 831(b)(2)(A)(i) the amount of the limit on net written premiums or direct written premiums (whichever is greater) is \$2,300,000 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 2019, 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 \$168,000.

.38 Tax Responsibilities of Expatriation. For taxable years beginning in 2019, 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 \$725,000.

.39 Foreign Earned Income Exclusion. For taxable years beginning in 2019, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$105,900.

.40 Debt Instruments Arising Out of Sales or Exchanges. For calendar year 2019, a qualified debt instrument under § 1274A(b) has stated principal that does not exceed \$5,944,600, and a cash method debt instrument under § 1274A(c)(2) has stated principal that does not exceed \$4,246,200.

.41 Unified Credit Against Estate Tax. For an estate of any decedent dying in calendar year 2019, the basic exclusion amount is \$11,400,000 for determining the amount of the unified credit against estate tax under § 2010.

.42 Valuation of Qualified Real Property in Decedent's Gross Estate. For an estate of a decedent dying in calendar year 2019, 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 \$1,160,000.

.43 Annual Exclusion for Gifts.

(1) For calendar year 2019, the first \$15,000 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 2019, the first \$155,000 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.

.44 Tax on Arrow Shafts. For calendar year 2019, 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 \$0.52 per shaft.

.45 Passenger Air Transportation Excise Tax. For calendar year 2019, the tax under § 4261(b)(1) on the amount paid for each domestic segment of taxable air transportation is \$4.20. For calendar year 2019, 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 \$18.60. Under § 4261(c)(3), however, a lower amount 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 2019, the rate is \$9.30.

.46 Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures. For taxable years beginning in 2019, 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 \$117 or less.

.47 Notice of Large Gifts Received from Foreign Persons. For taxable years beginning in 2019, § 6039F authorizes the Treasury Department and the Internal Revenue Service 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 \$16,388.

.48 Persons Against Whom a Federal Tax Lien Is Not Valid. For calendar year 2019, 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 \$1,590, 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 \$7,970.

.49 Property Exempt from Levy. For calendar year 2019, 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 \$9,540. 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 \$4,770.

.50 Exempt Amount of Wages, Salary, or Other Income. For taxable years beginning in 2019, the dollar amount used to calculate the amount determined under § 6334(d)(4)(B) is \$4,200.

.51 Interest on a Certain Portion of the Estate Tax Payable in Installments. For an estate of a decedent dying in calendar year 2019, 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 \$1,550,000.

.52 Failure to File Tax Return. In the case of any return required to be filed in 2020, the amount of the addition to tax under § 6651(a) for failure to file a tax return within 60 days of the due date of such return (determined with regard to any extensions of time for filing) shall not be less than the lesser of \$215 or 100 percent of the amount required to be shown as tax on such returns.

.53 Failure to File Certain Information Returns, Registration Statements, etc. For returns required to be filed in 2020, 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):

Scenario	Daily Penalty	Maximum Penalty
Organization (§ 6652(c)(1)(A))	\$20	Lessor of \$10,500 or 5% of gross receipts of the organization for the year.
Organization with gross receipts exceeding \$1,067,000 (§ 6652(c)(1)(A))	\$105	\$53,000
Managers (§ 6652(c)(1)(B))	\$10	\$5,000
Public inspection of annual returns and reports (§ 6652(c)(1)(C))	\$20	\$10,500
Public inspection of applications for exemption and notice of status (§ 6652(c)(1)(D))	\$20	No Limits

(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):

Scenario	Daily Penalty	Maximum Penalty
Organization or trust (§ 6652(c)(2)(A))	\$10	\$5,000
Managers (§ 6652(c)(2)(B))	\$10	\$5,000
Split-Interest Trust (§ 6652(c)(2)(C)(ii))	\$20	\$10,500
Any trust with gross income exceeding \$266,500 (§ 6652(c)(2)(C)(ii))	\$105	\$53,000

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

Scenario	Daily Penalty	Maximum Penalty
Tax-exempt entity (§ 6652(c)(3)(A))	\$105	\$53,000
Failure to comply with written demand (§ 6652(c)(3)(B)(ii))	\$105	\$10,500

.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 2020, the penalty amounts under § 6695 are:

Scenario	Per Return or Claim for Refund	Maximum Penalty
Failure to furnish copy to taxpayer (§ 6695(a))	\$50	\$26,500
Failure to sign return (§ 6695(b))	\$50	\$26,500
Failure to furnish identifying number (§ 6695(c))	\$50	\$26,500
Failure to retain copy or list (§ 6695(d))	\$50	\$26,500
Failure to file correct information returns (§ 6695(e))	\$50 per return and item in return	\$26,500
Negotiation of check (§ 6695(f))	\$530 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))	\$530 per failure	No limit

.55 Failure to File Partnership Return. In the case of any return required to be filed in 2020, the dollar amount used to determine the amount of the penalty under § 6698(b)(1) is \$205.

.56 Failure to File S Corporation Return. In the case of any return required to be filed in 2020, the dollar amount used to determine the amount of the penalty under § 6699(b)(1) is \$205.

.57 Failure to File Correct Information Returns. In the case of any failure relating to a return required to be filed in 2020, 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:

Scenario	Penalty Per Return	Calendar Year Maximum
General Rule (§ 6721(a)(1))	\$270	\$3,339,000
Corrected on or before 30 days after required filing date (§ 6721(b)(1))	\$50	\$556,500
Corrected after 30 th day but on or before August 1 (§ 6721(b)(2))	\$110	\$1,669,500

(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:

Scenario	Penalty Per Return	Calendar Year Maximum
General Rule (§ 6721(d)(1)(A))	\$270	\$1,113,000
Corrected on or before 30 days after required filing date (§ 6721(d)(1)(B))	\$50	\$194,500
Corrected after 30 th day but on or before August 1 (§ 6721(d)(1)(C))	\$110	\$556,500

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

Scenario	Penalty Per Return	Calendar Year Maximum
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) \$550, 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) \$550, 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) \$27,820, or (ii) amount of cash	No limit

	received up to \$111,000	
Return required to be filed under § 6050V (§ 6721(e)(2)(D))	Greater of (i) \$550, 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 2020, 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 file correct information returns:

Scenario	Penalty Per Return	Calendar Year Maximum
General Rule (§ 6722(a)(1))	\$270	\$3,339,000
Corrected on or before 30 days after required filing date (§ 6722(b)(1))	\$50	\$556,500
Corrected after 30 th day but on or before August 1 (§ 6722(b)(2))	\$110	\$1,669,500

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

Scenario	Penalty Per Return	Calendar Year Maximum
General Rule (§ 6722(d)(1)(A))	\$270	\$1,113,000
Corrected on or before 30 days after required filing date (§ 6722(d)(1)(B))	\$50	\$194,500
Corrected after 30 th day but on or before August 1 (§ 6722(d)(1)(C))	\$110	\$556,500

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

Scenario	Penalty Per Return	Calendar Year Maximum
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) \$550, 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) \$550, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit

.59 Revocation or Denial of Passport in Case of Certain Tax Delinquencies. For calendar year 2019, the amount of a serious delinquent tax debt under § 7345 is \$52,000.

.60 Attorney Fee Awards. For fees incurred in calendar year 2019, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$200 per hour.

.61 Periodic Payments Received Under Qualified Long-Term Care Insurance Contracts or Under Certain Life Insurance Contracts. For calendar year 2019, 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 \$370.

.62 Qualified Small Employer Health Reimbursement Arrangement. For taxable years beginning in 2019, 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 \$5,150 (\$10,450 for family coverage).

SECTION 4. EFFECTIVE DATE

.01 General Rule. Except as provided in section 4.02, this revenue procedure applies to taxable years beginning in 2019.

.02 Calendar Year Rule. This revenue procedure applies to transactions or events occurring in calendar year 2019 for purposes of sections 3.09 (rehabilitation expenditures treated as separate new building), 3.10 (low-income housing credit), 3.15 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 3.21 (private activity bonds volume cap), 3.22 (loan limits on agricultural bonds), 3.23 (general arbitrage rebate rules), 3.24 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 3.37 (expatriation to avoid taxes), 3.40 (debt instruments arising out of sales or exchanges), 3.41 (unified credit against estate tax), 3.42 (valuation of qualified real property in decedent's gross estate), 3.43 (annual exclusion for gifts), 3.44 (tax on arrow shafts), 3.45 (passenger air transportation excise tax), 3.48 (persons against whom a federal tax lien is not valid), 3.49 (property exempt from levy), 3.51 (interest on a certain portion of the estate tax payable in installments), 3.59 (revocation or denial of passport in case of certain tax delinquencies), 3.60 (attorney fee awards), and 3.61 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts).

SECTION 5. DRAFTING INFORMATION

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