

**From the desk of
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2018 Tax Brackets

With the passage of the Tax Cuts and Jobs Act (TCJA) many tax brackets, thresholds, and rates have changed in 2018.

Noticeable changes to the structure of the individual tax code include the elimination of personal exemptions, the elimination of the Pease limitation which limited itemized deductions, and the expansion of the Child Tax Credit.

Additionally on a yearly basis the IRS adjusts more than 40 tax provisions for inflation.

This is done to prevent what is called “bracket creep,” where taxpayers are pushed into higher income tax brackets or have reduced value from credits or deductions due to inflation instead of any increase in real income.

The IRS in the past used the Consumer Price Index (CPI) to calculate the past year’s inflation; however with the TCJA the IRS will now use the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.

Income Tax Brackets and Rates

In 2018 the income limits for all tax brackets and all filers will be adjusted for inflation and will be as follows.

The top marginal income tax rate of 37 percent will apply to taxpayers filing Single, or Head of Household with taxable income of \$500,000 and higher.

For married filers that threshold is \$600,000 and higher.

The standard deduction for single filers will increase by \$5,500 and by \$11,000 for married couples filing jointly.

2018 Tax Brackets and Rates

Rate	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	\$0	\$0	\$0

2018 Tax Brackets and Rates

Rate	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
12%	\$9,525	\$19,050	\$13,600
22%	\$38,700	\$77,400	\$51,800
24%	\$82,500	\$165,000	\$82,500
32%	\$157,500	\$315,000	\$157,500
35%	\$200,000	\$400,000	\$200,000
37%	\$500,000	\$600,000	\$500,000

Standard Deduction and Personal Exemption

The standard deduction for single filers will increase by \$5,500 and by \$11,000 for married couples filing jointly (Table 4).

The personal exemption for 2018 is eliminated.

2018 Standard Deduction and Personal Exemption	
Filing Status	Deduction Amount
Single	\$12,000
Married Filing Jointly	\$24,000
Head of Household	\$18,000

Alternative Minimum Tax

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax.

This parallel tax income system (the real Flat Tax) requires high-income taxpayers to calculate their tax bill twice, once under the ordinary income tax system and again under the AMT. Taxpayers pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI).

To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI, however this exemption phases out for high-income taxpayers.

The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2018 is \$70,300 for singles and \$109,400 for married couples filing jointly.

2018 Alternative Minimum Tax Exemptions	
Filing Status	Exemption Amount
Unmarried Individuals	\$70,300
Married Filing Jointly	\$109,400

In 2018 the 28 percent AMT rate applies to excess AMTI of \$191,500 for all married taxpayers (\$95,750 for unmarried individuals).

Under the TCJA AMT exemptions phase out at 25 cents per dollar earned once taxpayer AMTI hits a certain threshold.

In 2018 the exemption will start phasing out at \$500,000 in AMTI for single filers and \$1 million for married taxpayers filing jointly

2018 Alternative Minimum Tax Exemption Phaseout Thresholds

Filing Status	Threshold
Unmarried Individuals	\$500,000
Married Filing Jointly	\$1,000,000

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