



2025 Federal Income Tax-Brackets and Rates

Hans and Tom utilize the following IRS document in the video "2025 Federal Income Tax-Brackets and Rates" to explore taxes.

2025 FEDERAL INCOME TAX-BRACKETS AND RATES									
S.S.	MARRIED FILING JOINT				SINGLE				INCOME
	MARGINAL		TAX	EFFECTIVE	MARGINAL		TAX	EFFECTIVE	
<input type="checkbox"/>	10%	0-23,850	2,385	10%	10%	0-11,295	1,192	10%	<input type="checkbox"/>
	12%	23,850-96,950	11,157	11.5%	12%	11,295-48,475	5,578	11.5%	
	22%	96,950-206,700	35,302	17.1%	22%	48,475-103,350	17,651	17.1%	
MED	24%	206,700-394,600	80,398	20%	24%	103,350-197,300	40,199	20%	
<input type="checkbox"/>	32%	394,600-501,050	114,462	22.9%	32%	197,300-250,525	57,231	22.9%	ESTATE
	35%	501,050-751,600	202,154	26.9%	35%	250,525-626,350	188,769	30.1%	<input type="checkbox"/>
	37%	751,600+			37%	626,350+			
LTC	STANDARD DEDUCTION				ESTATES + TRUSTS				TAXES
<input type="checkbox"/>	MARRIED	30,000	AGED/BLIND +3,200		10%	0-3,150	315	10%	
	SINGLE	15,000	AGED/BLIND +2,000		24%	3,150-11,450	2,307	20%	
					35%	11,450-15,560	3,777	24.2%	
					37%	15,560+			
401K/IRA	CAPITAL GAINS				UNIFIED CREDIT-ESTATE TAX				
<input type="checkbox"/>	MARRIED	0-96,700	0		813,990,000/PERSON				
		96,700-600,050	15%						
		600,000+	20%						
	SINGLE	0-48,350	0						
		48,350-533,400	15%						
		533,400+	20%						

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Information provided is not intended as tax or legal advice and should not be relied on as such. You are encouraged to seek tax or legal advice from an independent professional.

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 23, 24, 32, 36B, 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, 642, 831, 877, 877A, 911, 1274A, 2010, 2032A, 2503, 2523, 4161, 4261, 4611, 6033, 6039F, 6323, 6334, 6601, 6651, 6652, 6695, 6698, 6699, 6721, 6722, 7345, 7430, 7702B, 9831; 1.148-5.)

Rev. Proc. 2024-40

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SECTION 1. PURPOSE

This revenue procedure sets forth inflation-adjusted items for 2025 for various Code provisions as in effect on October 22, 2024. The inflation adjusted items for the Code sections set forth in section 2 of this revenue procedure are generally determined by reference to § 1(f). If amendments to the Code are enacted for 2025 after October 22, 2024, taxpayers should consult additional guidance to determine whether these adjustments remain applicable for 2025.

SECTION 2. 2025 ADJUSTED ITEMS

.01 Tax Rate Tables. For taxable years beginning in 2025, the tax rate tables under § 1 are as follows:

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

If Taxable Income Is:	The Tax Is:
Not over \$23,850	10% of the taxable income
Over \$23,850 but not over \$96,950	\$2,385 plus 12% of the excess over \$23,850
Over \$96,950 but not over \$206,700	\$11,157 plus 22% of the excess over \$96,950
Over \$206,700 but not over \$394,600	\$35,302 plus 24% of the excess over \$206,700
Over \$394,600 but not over \$501,050	\$80,398 plus 32% of the excess over \$394,600
Over \$501,050 but not over \$751,600	\$114,462 plus 35% of the excess over \$501,050
Over \$751,600	\$202,154.50 plus 37% of the excess over \$751,600

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

If Taxable Income Is:	The Tax Is:
Not over \$17,000	10% of the taxable income
Over \$17,000 but not over \$64,850	\$1,700 plus 12% of the excess over \$17,000
Over \$64,850 but not over \$103,350	\$7,442 plus 22% of the excess over \$64,850
Over \$103,350 but not over \$197,300	\$15,912 plus 24% of the excess over \$103,350
Over \$197,300 but not over \$250,500	\$38,460 plus 32% of the excess over \$197,300
Over \$250,500 but not over \$626,350	\$55,484 plus 35% of the excess over \$250,500
Over \$626,350	\$187,031.50 plus 37% of the excess over \$626,350

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

If Taxable Income Is:	The Tax Is:
Not over \$11,925	10% of the taxable income
Over \$11,925 but not over \$48,475	\$1,192.50 plus 12% of the excess over \$11,925
Over \$48,475 but not over \$103,350	\$5,578.50 plus 22% of the excess over \$48,475
Over \$103,350 but not over \$197,300	\$17,651 plus 24% of the excess over \$103,350
Over \$197,300 but not over \$250,525	\$40,199 plus 32% of the excess over \$197,300
Over \$250,525 but not over \$626,350	\$57,231 plus 35% of the excess over \$250,525
Over \$626,350	\$188,769.75 plus 37% of the excess over \$626,350

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

If Taxable Income Is:	The Tax Is:
Not over \$11,925	10% of the taxable income
Over \$11,925 but not over \$48,475	\$1,192.50 plus 12% of the excess over \$11,925
Over \$48,475 but not over \$103,350	\$ 5,578.50 plus 22% of the excess over \$48,475
Over \$103,350 but not over \$197,300	\$17,651 plus 24% of the excess over \$103,350
Over \$197,300 but not over \$250,525	\$40,199 plus 32% of the excess over \$197,300
Over \$250,525 but not over \$375,800	\$57,231 plus 35% of the excess over \$250,525
Over \$375,800	\$101,077.25 plus 37% of the excess over \$375,800

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

If Taxable Income Is:	The Tax Is:
Not over \$3,150	10% of the taxable income
Over \$3,150 but not over \$11,450	\$315 plus 24% of the excess over \$3,150
Over \$11,450 but not over \$15,650	\$2,307 plus 35% of the excess over \$11,450
Over \$15,650	\$3,777 plus 37% of the excess over \$15,650

.02 Unearned Income of Minor Children Subject to the “Kiddie Tax”. For taxable years beginning in 2025, 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 referenced in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child’s gross income for 2025 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 2025, 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>
<u>Married Individuals Filing Joint Returns and Surviving Spouse</u>	<u>\$96,700</u>	<u>\$600,050</u>
Married Individuals Filing Separate Returns	\$48,350	\$300,000
Heads of Household	\$64,750	\$566,700
<u>All Other Individuals</u>	<u>\$48,350</u>	<u>\$533,400</u>

Estates and Trusts	\$3,250	\$15,900
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.04 Adoption Credit. For taxable years beginning in 2025, under § 23(a)(3) the credit allowed for an adoption of a child with special needs is \$17,280. For taxable years beginning in 2025, under § 23(b)(1) the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$17,280. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$259,190 and is completely phased out for taxpayers with modified adjusted gross income of \$299,190 or more. See section 2.19 of this revenue procedure for the adjusted items relating to adoption assistance programs.

.05 Child Tax Credit. For taxable years beginning in 2025, the amount used in § 24(d)(1)(A) to determine the amount of credit under § 24 that may be refundable is \$1,700.

.06 Earned Income Credit.

(1) In general. For taxable years beginning in 2025, 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 2025. 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	\$12,730	\$17,880	\$17,880	\$8,490
Maximum Amount of Credit	\$4,328	\$7,152	\$8,046	\$649
Threshold Phaseout Amount (Married Filing Jointly)	\$30,470	\$30,470	\$30,470	\$17,730
Completed Phaseout Amount (Married Filing Jointly)	\$57,554	\$64,430	\$68,675	\$26,214
Threshold Phaseout Amount (All other filing statuses)	\$23,350	\$23,350	\$23,350	\$10,620
Completed Phaseout Amount (All other filing statuses)	\$50,434	\$57,310	\$61,555	\$19,104

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 2025, the earned income tax credit is not allowed under § 32(i) if the aggregate amount of certain investment income exceeds \$11,950.

.07 Refundable Credit for Coverage Under a Qualified Health Plan. For taxable years beginning in 2025, 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)	The limitation amount for all other taxpayers is:
Less than 200%	\$375	\$750

At least 200% but less than 300%	\$975	\$1,950
At least 300% but less than 400%	\$1,625	\$3,250

.08 Rehabilitation Expenditures Treated as Separate New Building. For calendar year 2025, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$8,500.

.09 Low-Income Housing Credit. For calendar year 2025, 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) \$3.00 multiplied by the State population, or (2) \$3,455,000.

.10 Employee Health Insurance Expense of Small Employers. For taxable years beginning in 2025, the dollar amount in effect under § 45R(d)(3)(B) is \$33,300. 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.

.11 Exemption Amounts for Alternative Minimum Tax. For taxable years beginning in 2025, the exemption amounts under § 55(d)(1) are:

Joint Returns or Surviving Spouses	\$137,000
Unmarried Individuals (other than Surviving Spouses)	\$88,100
Married Individuals Filing Separate Returns	\$68,500
Estates and Trusts	\$30,700

For taxable years beginning in 2025, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

Married Individuals Filing Separate Returns	\$119,550
All Other Taxpayers	\$239,100

For taxable years beginning in 2025, the amounts used under § 55(d)(2) to determine the phaseout of the exemption amounts are:

	<u>Threshold Phaseout Amount</u>	<u>Complete Phaseout Amount</u>
Joint Returns or Surviving Spouses	\$1,252,700	\$1,800,700
Unmarried Individuals (other than Surviving Spouses)	\$626,350	\$978,750
Married Individuals Filing Separate Returns	\$626,350	\$900,350
Estates and Trusts	\$102,500	\$225,300

.12 Alternative Minimum Tax Exemption for a Child Subject to the “Kiddie Tax.” For taxable years beginning in 2025, 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) \$9,550.

.13 Certain Expenses of Elementary and Secondary School Teachers. For taxable years beginning in 2025, 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 \$300.

.14 Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees Under Accountable Plans. For calendar year 2025, an eligible employer may pay certain welders and heavy equipment mechanics an amount up to \$22 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 under Rev. Proc. 2002-41.

.15 **Standard Deduction.**

(1) In general. For taxable years beginning in 2025, 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))	\$30,000
Heads of Households (§ 1(j)(2)(B))	\$22,500
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(j)(2)(C))	\$15,000
Married Individuals Filing Separate Returns (§ 1(j)(2)(D))	\$15,000

(2) Dependent. For taxable years beginning in 2025, 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 2025, the additional standard deduction amount under § 63(f) for the aged or the blind is \$1,600. The additional standard deduction amount is increased to \$2,000 if the individual is also unmarried and not a surviving spouse.

.16 Cafeteria Plans. For taxable years beginning in 2025, the dollar limitation under § 125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements is \$3,300. If the cafeteria plan permits the carryover of unused amounts, the maximum carryover amount is \$660.

.17 Qualified Transportation Fringe Benefit. For taxable years beginning in 2025, 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 \$325. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is \$325.

.18 Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses. For taxable years beginning in 2025, 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 \$149,250 for joint returns and \$99,500 for all other returns. The exclusion is completely phased out for modified adjusted gross income of \$179,250 or more for joint returns and \$114,500 or more for all other returns.

.19 Adoption Assistance Programs. For taxable years beginning in 2025, 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 \$17,280. For taxable years beginning in 2025, 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 \$17,280. 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 \$259,190 and is completely phased out for taxpayers with modified adjusted gross income of \$299,190 or more. (See section 2.04 of this revenue procedure for the adjusted items relating to the adoption credit.)

.20 Private Activity Bonds Volume Cap. For calendar year 2025, the amounts used under § 146(d) to calculate the State ceiling for the volume cap for private activity bonds is

the greater of (1) \$130 multiplied by the State population, or (2) \$388,780,000.

.21 Loan Limits on Agricultural Bonds. For calendar year 2025, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is \$667,500.

.22 General Arbitrage Rebate Rules. For bond years ending in 2025, the amount of the computation credit determined under § 1.148-3(d)(4) of the Income Tax Regulations is \$2,120.

.23 Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow. For calendar year 2025, 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) \$50,000, 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 \$141,000 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.

.24 Gross Income Limitation for a Qualifying Relative. For taxable years beginning in 2025, the exemption amount referenced in § 152(d)(1)(B) is \$5,200.

.25 Election to Expense Certain Depreciable Assets. For taxable years beginning in 2025, under § 179(b)(1), the aggregate cost of any § 179 property that a taxpayer elects to treat as an expense cannot exceed \$1,250,000 and under § 179(b)(5)(A), the cost of any sport utility vehicle that may be taken into account under § 179 cannot exceed \$31,300.

Under § 179(b)(2), the \$1,250,000 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 2025 taxable year exceeds \$3,130,000.

.26 Energy Efficient Commercial Buildings Deduction. For taxable years beginning in 2025, the applicable dollar value used to determine the maximum allowance of the deduction under § 179D(b)(2) is \$0.58 increased (but not above \$1.16) 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 2025, the applicable dollar value used to determine the increased deduction amount for certain property under § 179D(b)(3) is \$2.90 increased (but not above \$5.81) 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.

.27 Qualified Business Income. For taxable years beginning in 2025, 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	\$394,600	\$494,600
Married Individuals Filing Separate Returns	\$197,300	\$247,300
All Other Returns	\$197,300	\$247,300

.28 Eligible Long-Term Care Premiums. For taxable years beginning in 2025, the limitations under § 213(d)(10), regarding eligible long-term care premiums includible in the term “medical care”, as adjusted for inflation, are as follows:

<u>Attained Age Before the Close of the Taxable Year</u>	<u>Limitation on Premiums</u>
40 or less	\$480
More than 40 but not more than 50	\$900
More than 50 but not more than 60	\$1,800

More than 60 but not more than 70	\$4,810
More than 70	\$6,020

.29 Medical Savings Accounts.

(1) Self-only coverage. For taxable years beginning in 2025, 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 \$2,850 and not more than \$4,300, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$5,700.

(2) Family coverage. For taxable years beginning in 2025, the term “high deductible health plan” means, for family coverage, a health plan that has an annual deductible that is not less than \$5,700 and not more than \$8,550, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$10,500.

.30 Interest on Education Loans. For taxable years beginning in 2025, 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 (\$170,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$100,000 or more (\$200,000 or more for joint returns).

.31 Limitation on Use of Cash Method of Accounting. For taxable years beginning in 2025, 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 \$31,000,000.

.32 Threshold for Excess Business Loss. For taxable years beginning in 2025, in determining a taxpayer's excess business loss, the amount under § 461(l)(3)(A)(ii)(II) is \$313,000 (\$626,000 for joint returns).

.33 Treatment of Dues Paid to Agricultural or Horticultural Organizations. For taxable years beginning in 2025, 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 \$207.

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

(1) Low cost article. For taxable years beginning in 2025, for purposes of defining the term "unrelated trade or business" for certain exempt organizations under § 513(h)(2), "low cost articles" are articles costing \$13.60 or less.

(2) Other insubstantial benefits. For taxable years beginning in 2025, 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 \$13.60, \$68.00 and \$136.00, respectively.

.35 Special Rules for Credits and Deductions. For taxable years beginning in 2025, the amount of the deduction under § 642(b)(2)(C)(i) is \$5,100.

.36 Tax on Insurance Companies Other than Life Insurance Companies. For taxable years beginning in 2025, under § 831(b)(2)(A)(i) the amount of the limit on net written premiums or direct written premiums (whichever is greater) is \$2,850,000 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 2025, 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 \$206,000.

.38 Tax Responsibilities of Expatriation. For taxable years beginning in 2025, 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 \$890,000 pursuant to § 877A(a)(3).

.39 Foreign Earned Income Exclusion. For taxable years beginning in 2025, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$130,000.

.40 Debt Instruments Arising Out of Sales or Exchanges. For calendar year 2025, a qualified debt instrument under § 1274A(b) has stated principal that does not exceed \$7,296,700, and a cash method debt instrument under § 1274A(c)(2) has stated principal that does not exceed \$5,211,900.

.41 Unified Credit Against Estate Tax. For an estate of any decedent dying in calendar year 2025, the basic exclusion amount is \$13,990,000 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 2025, 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 \$1,420,000.

.43 Annual Exclusion for Gifts.

(1) For calendar year 2025, 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 2025, the first \$190,000 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 2025, 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 \$0.63 per shaft.

.45 Passenger Air Transportation Excise Tax. For calendar year 2025, the tax under § 4261(b)(1) on the amount paid for each domestic segment of taxable air transportation is \$5.20. For calendar year 2025, 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 \$22.90. 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 2025, the rate of tax is \$11.40.

.46 Tax on Certain Uses of Crude Oil and Petroleum Products. For calendar year 2025, 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 \$0.26 cents per barrel.

.47 Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures. For taxable years beginning in 2025, 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 \$143.00 or less.

.48 Notice of Large Gifts Received from Foreign Persons. For taxable years beginning in 2025, § 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 \$20,116.

.49 Persons Against Whom a Federal Tax Lien Is Not Valid. For calendar year 2025, 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 \$1,960, 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 \$9,790.

.50 Property Exempt from Levy. For calendar year 2025, 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 \$11,710. 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 \$5,860.

.51 Exempt Amount of Wages, Salary, or Other Income. For taxable years beginning in 2025, the dollar amount used to calculate the amount determined under § 6334(d)(4)(B) is \$5,100.

.52 Interest on a Certain Portion of the Estate Tax Payable in Installments. For an estate of a decedent dying in calendar year 2025, 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 \$1,900,000.

.53 Failure to File Tax Return. In the case of any return required to be filed in 2026, 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 \$525 or 100 percent of the amount required to be shown as tax on such return.

.54 Failure to File Certain Information Returns, Registration Statements, etc. For returns required to be filed in 2026, 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))	\$25	Lesser of \$13,000 or 5% of gross receipts of the organization for the year.
Organization with gross receipts exceeding \$1,309,500 (§ 6652(c)(1)(A))	\$130	\$65,000
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):

Scenario	Daily Penalty	Maximum Penalty
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 \$327,000 (§ 6652(c)(2)(C)(ii))	\$130	\$65,000

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

Scenario	Daily Penalty	Maximum Penalty
Tax-exempt entity (§ 6652(c)(3)(A))	\$130	\$65,000
Failure to comply with written demand (§ 6652(c)(3)(B)(ii))	\$130	\$13,000

.55 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 2026, the penalty amounts under § 6695 are:

Scenario	Per Return or Claim for Refund	Maximum Penalty
Failure to furnish copy to taxpayer (§ 6695(a))	\$65	\$32,500
Failure to sign return (§ 6695(b))	\$65	\$32,500
Failure to furnish identifying number (§ 6695(c))	\$65	\$32,500
Failure to retain copy or list (§ 6695(d))	\$65	\$32,500
Failure to file correct information returns (§ 6695(e))	\$65 per return and item in return	\$32,500
Negotiation of check (§ 6695(f))	\$650 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))	\$650 per failure	No limit

.56 Failure to File Partnership Return. In the case of any return required to be filed in 2026, the dollar amount used to determine the amount of the penalty under § 6698(b)(1) is \$255.

.57 Failure to File S Corporation Return. In the case of any return required to be filed in 2026, the dollar amount used to determine the amount of the penalty under § 6699(b)(1) is \$255.

.58 Failure to File Correct Information Returns. In the case of any failure relating to a return required to be filed in 2026, 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))	\$340	\$4,098,500
Corrected on or before 30 days after required filing date (§ 6721(b)(1))	\$60	\$683,000
Corrected after 30 th day but on or before August 1, 2026 (§ 6721(b)(2))	\$130	\$2,049,000

(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))	\$340	\$1,366,000
Corrected on or before 30 days after required filing date (§ 6721(d)(1)(B))	\$60	\$239,000
Corrected after 30 th day but on or before August 1, 2026 (§ 6721(d)(1)(C))	\$130	\$683,000

(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) \$680, 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) \$680, 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) \$34,150, or (ii) amount of cash received up to \$136,500	No limit
Return required to be filed under § 6050V (§ 6721(e)(2)(D))	Greater of (i) \$680, 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

.59 Failure to Furnish Correct Payee Statements. In the case of any failure relating to a statement required to be furnished in 2026, 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:

Scenario	Penalty Per Statement	Calendar Year Maximum
General Rule (§ 6722(a)(1))	\$340	\$4,098,500
Corrected on or before 30 days after required furnishing date (§ 6722(b)(1))	\$60	\$683,000
Corrected after 30th day but on or before August 1, 2026 (§ 6722(b)(2))	\$130	\$2,049,000

(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:

Scenario	Penalty Per Statement	Calendar Year Maximum
General Rule (§ 6722(d)(1)(A))	\$340	\$1,366,000
Corrected on or before 30 days after required furnishing date (§ 6722(d)(1)(B))	\$60	\$239,000
Corrected after 30 th day but on or before August 1, 2026 (§ 6722(d)(1)(C))	\$130	\$683,000

(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):

Scenario	Penalty Per Statement	Calendar Year Maximum
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) \$680, 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) \$680, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit

.60 Revocation or Denial of Passport in Case of Certain Tax Delinquencies. For calendar year 2025, the amount of a serious delinquent tax debt under § 7345 is \$64,000.

.61 Attorney Fee Awards. For fees incurred in calendar year 2025, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$250 per hour.

.62 Periodic Payments Received Under Qualified Long-Term Care Insurance Contracts or Under Certain Life Insurance Contracts. For calendar year 2025, 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 \$420.

.63 Qualified Small Employer Health Reimbursement Arrangement. For taxable years beginning in 2025, 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 \$6,350 (\$12,800 for family coverage).

SECTION 3. EFFECTIVE DATE

.01 General Rule. Except as provided in section 3.02 of this revenue procedure, this revenue procedure applies to taxable years beginning in 2025.

.02 Calendar Year Rule. This revenue procedure applies to transactions or events occurring in calendar year 2025 for purposes of sections 2.08 (rehabilitation expenditures treated as separate new building), 2.09 (low-income housing credit), 2.14 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 2.20 (private activity bonds volume cap), 2.21 (loan limits on agricultural bonds), 2.22 (general arbitrage rebate rules), 2.23 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 2.37 (expatriation to avoid taxes), 2.40 (debt instruments arising out of sales or exchanges), 2.41 (unified credit against estate tax), 2.42 (valuation of qualified real property in decedent's gross estate), 2.43 (annual exclusion for gifts), 2.44 (tax on arrow shafts), 2.45 (passenger air transportation excise tax), 2.46 (tax on certain uses of crude oil and petroleum products), 2.49 (persons against whom a federal tax

lien is not valid), 2.50 (property exempt from levy), 2.52 (interest on a certain portion of the estate tax payable in installments), 2.60 (revocation or denial of passport in case of certain tax delinquencies), 2.61 (attorney fee awards), and 2.62 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts) of this revenue procedure.

SECTION 4. DRAFTING INFORMATION

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