



TaxNewsFlash

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Rev. Proc. 2024-40: Inflation adjustments for 2025, individual taxpayers

The IRS today released [Rev. Proc. 2024-40](#) providing the annual inflation adjustments for more than 60 tax provisions to be used by individual taxpayers on their 2025 returns (that is, the returns that are generally filed in 2026).

Tax rates for individual taxpayers, adjusted for inflation

With the inflation adjustment, Rev. Proc. 2024-40 provides that for tax year 2025:

- The top income tax rate remains 37% for individual single taxpayers with incomes greater than \$626,350 (\$751,600 for married couples filing jointly).
- The other income tax rates for single taxpayers will be:
 - 35% for incomes over \$250,525 (\$501,050 for married couples filing jointly)
 - 32% for incomes over \$197,300 (\$394,600 for married couples filing jointly)
 - 24% for incomes over \$103,350 (\$206,700 for married couples filing jointly)
 - 22% for incomes over \$48,475 (\$96,950 for married couples filing jointly)
 - 12% for incomes over \$11,925 (\$23,850 for married couples filing jointly)
- The lowest rate is 10% of incomes for single individuals with incomes of \$11,925 or less (\$23,850 for married couples filing jointly).

Standard deduction

The standard deduction amounts for 2025 will be increased, as follows:

- For married couples filing jointly—\$30,000 (an increase of \$800 from the prior year)
- For single taxpayers and married individuals filing separately—\$15,000 (an increase of \$400)
- For heads of households—\$22,500 (an increase of \$600)

The personal exemption for tax year 2025 remains at \$0 (the personal exemption was suspended for tax

years 2018 through 2025 by the U.S. tax law enacted in 2017 (Pub. L. No. 115-97, or the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA)).

For 2025, as in 2024, 2023, 2022, 2021, 2020, 2019 and 2018, there is no limitation on itemized deductions (referred to as the “Pease” limitation under prior law), because that limitation was also suspended by the TCJA for years 2018-2025.

International amounts

- An individual is a covered expatriate if the individual’s “average annual net income tax” for the five tax years ending before the expatriation date is more than \$206,000.
- The amount that would be includible in the gross income of a covered expatriate is reduced (but not below zero) by \$890,000.
- The foreign earned income exclusion for 2025 is \$130,000.
- 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 made during that year.

Other items

- The alternative minimum tax (AMT) exemption amount is increased for tax year 2025 to \$88,100 and begins to phase out at \$626,350 (\$137,000 for married couples filing jointly, and the exemption begins to phase out at \$1,252,700).
- The maximum earned income tax credit amount for 2025 is \$8,046 for qualifying taxpayers who have three or more qualifying children.
- The qualified transportation fringe benefit for tax year 2025 will have a monthly limitation of \$325 for certain commuter transportation, transit passes, and qualified parking.
- The maximum credit allowed for adoptions is the amount of qualified adoption expenses up to \$17,280.

Estate, gift, and generation-skipping transfer tax exemption

- The lifetime exemption amount for transfers during 2025 is \$13,990,000 (up from \$13,610,000 for transfers in 2024).

Gift tax annual exclusion

- The annual exclusion for gifts is \$19,000 for calendar year 2025 (up from \$18,000 for 2024).

Medical and health-related amounts

- The dollar limitation for employee salary reductions for contributions to health flexible spending arrangements (FSA) for tax years beginning in 2025 is \$3,300. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount is \$660.
- Concerning medical savings accounts (MSAs), for tax year 2025, participants who have self-only coverage in an MSA, the plan must have an annual deductible that is not less than \$2,850, but not more than \$4,300.
 - For self-only coverage, the maximum out-of-pocket expense amount is \$5,700.

- For participants with family coverage for 2025, the annual deductible may not less be than \$5,700 or more than \$8,550.
- For family coverage, the out-of-pocket expense limit is \$10,500.

Read a related IRS release—[IR 2024-273](#) (October 22, 2024)

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