



TaxNewsFlash

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Rev. Proc. 2025-32: Inflation adjustments for 2026, individual taxpayers

The IRS today released [Rev. Proc. 2025-32](#) providing the annual inflation adjustments for more than 60 tax provisions to be used by individual taxpayers on their 2026 returns (that is, the returns that are generally filed in 2027).

Tax rates for individual taxpayers, adjusted for inflation

With the inflation adjustment, Rev. Proc. 2025-32 provides that for tax year 2026:

- The top income tax rate remains 37% for individual single taxpayers with incomes greater than \$640,600 (\$768,700 for married couples filing jointly).
- The other income tax rates for single taxpayers will be:
 - 35% for incomes over \$256,225 (\$512,450 for married couples filing jointly)
 - 32% for incomes over \$201,775 (\$403,550 for married couples filing jointly)
 - 24% for incomes over \$105,700 (\$211,400 for married couples filing jointly)
 - 22% for incomes over \$50,400 (\$100,800 for married couples filing jointly)
 - 12% for incomes over \$12,400 (\$24,800 for married couples filing jointly)
- The lowest rate is 10% for incomes of single individuals with incomes of \$12,400 or less (\$24,800 for married couples filing jointly).

Standard deduction

The standard deduction amounts for 2026 will be increased, as follows:

- For married couples filing jointly—\$32,200 (an increase of \$2,200 from the prior year)
- For single taxpayers and married individuals filing separately—\$16,100 (an increase of \$1,100)
- For heads of households—\$24,150 (an increase of \$1,650)

The personal exemption for tax year 2026 remains at \$0 (the personal exemption was a provision in the Tax Cuts and Jobs Act of 2017 and was made permanent under Pub. L. No. 119-21 (the “One Big Beautiful Bill Act” (OBBA))).

The limitation on itemized deductions was previously eliminated for tax years 2018-2025. The elimination of the limitation was made permanent by OBBB, although it imposes a limitation on the tax benefit from itemized deductions for those taxpayers in the highest tax bracket (37%).

International amounts

- The foreign earned income exclusion for 2026 is \$132,900.

Other items

- The alternative minimum tax (AMT) exemption amount is increased for tax year 2026 to \$90,100 and begins to phase out at \$500,000 (\$140,200 for married couples filing jointly, and the exemption begins to phase out at \$1,000,000).
- The maximum earned income tax credit amount for 2026 is \$8,231 for qualifying taxpayers who have three or more qualifying children.
- The qualified transportation fringe benefit for tax year 2026 will have a monthly limitation of \$340 for certain commuter transportation, transit passes, and qualified parking.
- The maximum credit allowed for adoptions is the amount of qualified adoption expenses up to \$17,670.
- For tax year 2026, the OBBB significantly enhances an important credit for employers; it increases the maximum amount of employer-provided childcare tax credit from \$150,000 to \$500,000 (\$600,000 if the employer is an eligible small business).

Estate, gift, and generation-skipping transfer tax exemption

- Estates of decedents who die during 2026 have a basic exclusion amount of \$15,000,000, up from a total of \$13,990,000 for estates of decedents who died in 2025.

Gift tax annual exclusion

- The annual exclusion for gifts remains at \$19,000 for calendar year 2026.

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 2026 is \$3,400. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount is \$680.
- Concerning medical savings accounts (MSAs), for tax year 2026, participants who have self-only coverage in an MSA, the plan must have an annual deductible that is not less than \$2,900, but not more than \$4,400.
 - For self-only coverage, the maximum out-of-pocket expense amount is \$5,850.
 - For participants with family coverage for 2026, the annual deductible may not less be than \$5,850 or more than \$8,750.
 - For family coverage, the out-of-pocket expense limit is \$10,700.

Read a related IRS release—[IR 2025-103](#) (October 9, 2025)

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