



FISCAL FACT

No. 567

Jan. 2018

2018 Tax Brackets (Updated)

Amir El-Sibaie

Analyst

With the passage of the Tax Cuts and Jobs Act (TCJA), many tax brackets, thresholds, and rates will change in 2018. Noticeable changes to the structure of the individual tax code include the elimination of personal exemptions, the elimination of the Pease limitation on 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,” when people 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 used to use 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.¹

The Tax Foundation is the nation’s leading independent tax policy research organization. Since 1937, our research, analysis, and experts have informed smarter tax policy at the federal, state, and local levels. We are a 501(c)(3) non-profit organization.

©2018 Tax Foundation
Distributed under
Creative Commons CC-BY-NC 4.0

Editor, Rachel Shuster
Designer, Dan Carvajal

Tax Foundation
1325 G Street, NW, Suite 950
Washington, DC 20005

202.464.6200

taxfoundation.org

1 <https://www.irs.gov/pub/irs-drop/rp-17-58.pdf>

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 (Tables 1 and 2). The top marginal income tax rate of 37 percent will hit taxpayers with taxable income of \$500,000 and higher for single filers and \$600,000 and higher for married couples filing jointly.

TABLE 1.

Tax Brackets and Rates, 2018

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
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.

TABLE 2.

**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 requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to 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 (Table 7).

TABLE 3.
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 taxpayers (\$95,750 for married couples filing joint returns).

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 (Table 8.)

TABLE 4.
**Alternative Minimum Tax Exemption
Phaseout Thresholds**

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

Earned Income Tax Credit

The maximum Earned Income Tax Credit in 2018 for single and joint filers is \$520, if the filer has no children (Table 9). The credit is \$3,468 for one child, \$5,728 for two children, and \$6,444 for three or more children. All of these are relatively small increases from 2017.

TABLE 5.
2018 Earned Income Tax Credit Parameters

Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$6,800.00	\$10,200.00	\$14,320.00	\$14,320.00
	Maximum Credit	\$520.00	\$3,468.00	\$5,728.00	\$6,444.00
	Phaseout Begins	\$8,510.00	\$18,700.00	\$18,700.00	\$18,700.00
	Phaseout Ends (Credit Equals Zero)	\$15,310.00	\$40,402.00	\$45,898.00	\$49,298.00
Married Filing Jointly	Income at Max Credit	\$6,800.00	\$10,200.00	\$14,320.00	\$14,320.00
	Maximum Credit	\$520.00	\$3,468.00	\$5,728.00	\$6,444.00
	Phaseout Begins	\$14,200.00	\$24,400.00	\$24,400.00	\$24,400.00
	Phaseout Ends (Credit Equals Zero)	\$21,000.00	\$46,102.00	\$51,598.00	\$54,998.00