



# TaxNewsFlash

## United States

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### **Rev. Proc. 2018-18: Inflation adjustments for 2018, revised to reflect new tax law**

Rev. Proc. 2018-18—which appears in the Internal Revenue Bulletin 2018-10 (March 5, 2018)—reflects amendments made by the recent tax law (Pub. L. No. 115-97, enacted December 22, 2017) with respect to the annual inflation adjustments for certain tax provisions.

The changes made by Rev. Proc. 2018-18 reflect the amendments made to the tax rate schedules and to other amounts that taxpayers will use in filing their 2018 income tax returns (to be filed in 2019).

Read text of Rev. Proc. 2018-18 in [IRB 2018-10](#) [PDF 209 KB]

#### **Update reflects new tax law**

The IRS in October 2017 released [Rev. Proc. 2017-58](#) [PDF 95 KB] to provide the annual inflation adjustments for more than 50 tax provisions, including the tax rate schedules and other tax amounts for 2018, as adjusted for inflation for 2018.

A few months later, Congress passed the new tax law (Pub. L. No. 115-97). The new tax law not only amends the income tax rates for individual taxpayers, but it also includes many other changes that affect individual taxpayers and business taxpayers.

For a comprehensive discussion of the new tax law read KPMG's report: [Tax reform—KPMG report on new tax law](#) [PDF 6.4 MB]

Because Rev. Proc. 2018-18 amends certain measures under Rev. Proc. 2017-58, these two revenue procedures must be read together.

## IRS update

The IRS subsequently noted in [IR-2018-94](#) (April 13, 2018) that for 2018:

- The foreign earned income exclusion will be \$103,900.
- The maximum earned income credit amount will be \$6,431 for taxpayers with three or more qualifying children, for 2018. (Other earned income credit amounts are detailed in Rev. Proc. 2018-18.
- Participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than \$2,300, but not more than \$3,450. For self-only coverage, the maximum out-of-pocket expense amount is \$4,550. For tax year 2018, participants with family coverage, the floor for the annual deductible is \$4,550; however, the deductible cannot be more than \$6,850. For family coverage, the out-of-pocket expense limit is \$8,400 for tax year 2018. (Only the “\$4,550” amount differs from what was previously listed in IR-2017-178.)

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