



TaxNewsFlash

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Rev. Proc. 2021-45: Inflation adjustments for 2022, individual taxpayers

The IRS today released an advance version of Rev. Proc. 2021-45 providing the annual inflation adjustments for more than 60 tax provisions to be used by individual taxpayers on their 2022 returns (that is, the returns that are generally filed in 2023).

Today's revenue procedure also includes inflation adjustments of interest to exempt organizations (discussed at the end of this report).

Read [Rev. Proc. 2021-45](#) [PDF 191 KB]

Tax rates for individual taxpayers, adjusted for inflation

With the inflation adjustment, Rev. Proc. 2021-45 provides that for tax year 2022:

- The top income tax rate will be 37% for individual single taxpayers with incomes greater than \$539,900, \$647,850 for married couples filing jointly, and \$13,450 for estates and trusts.
- The other income tax rates for single taxpayers will be:
 - 35% for incomes over \$215,950 (\$431,900 for married couples filing jointly)
 - 32% for incomes over \$170,050 (\$340,100 for married couples filing jointly)
 - 24% for incomes over \$89,075 (\$178,150 for married couples filing jointly)
 - 22% for incomes over \$41,775 (\$83,550 for married couples filing jointly)
 - 12% for incomes over \$10,275 (\$20,550 for married couples filing jointly)

- The lowest rate will be 10% for single individuals with incomes of \$10,275 or less (\$20,550 for married couples filing jointly)

Standard deduction

The standard deduction amounts for 2022 will be increased, as follows:

- For married couples filing jointly—\$25,900 [an increase of \$800 from the prior year]
- For single taxpayers and married individuals filing separately—\$12,950 [an increase of \$400]
- For heads of households—\$19,400 [an increase of \$600]

The personal exemption for tax year 2022 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 2022, there is no limitation on overall itemized deductions (referred to as the “Pease” limitation under prior law) because that limitation was also suspended by the TCJA for years 2018-2025.

Other items

- The alternative minimum tax (AMT) exemption amount is increased* for tax year 2022 to \$75,900 and begins to phase out at \$539,900—for married couples filing jointly, the AMT exemption amount will be \$118,100, and the exemption begins to phase out at \$1,079,800.

*For 2021, the AMT exemption amount was \$73,600 and began to phase out at \$523,600 (\$114,600 for married couples filing jointly and began to phase out at \$1,047,200).

- The qualified transportation fringe benefit for tax year 2022 will have a monthly limitation of \$280 for certain commuter transportation, transit passes, and qualified parking [up from \$270 for 2021].
- The modified adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is not adjusted for inflation for tax years beginning after December 31, 2020. The Lifetime Learning Credit is phased out for taxpayers with modified adjusted gross income in excess of \$80,000 (\$160,000 for joint returns).
- The foreign earned income exclusion for 2022 is \$112,000 [up from \$108,700 for 2021].
- The maximum credit allowed for adoptions is the amount of qualified adoption expenses up to \$14,890 [up from \$14,440 for 2021].

Estate and gift exclusions

- The basic exclusion amount for estates of decedents who die during 2022 is \$12,060,000 [up from \$11,700,000 for estates of decedents who died in 2021].
- The annual exclusion for gifts is \$16,000 for calendar year 2022 [up from \$15,000 for 2021].

Medical and health-related amounts

- The dollar limitation for employee salary reductions for contributions to health flexible spending arrangements (FSA) is increased to \$2,850 [up \$100 from 2021]. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount is \$570 [up \$20 from 2021].
- Concerning medical savings accounts (MSAs), for tax year 2022, participants who have self-only coverage in a MSA, the plan must have an annual deductible that is not less than \$2,450 [up \$50 from tax year 2021], but not more than \$3,700 [up \$100 from 2021].
 - For self-only coverage, the maximum out-of-pocket expense amount is \$4,950 [up \$150 from 2021].
 - Participants with family coverage, for 2022, the floor for the annual deductible is \$4,950 [up \$150 from 2021]; however, the deductible cannot be more than \$7,400 [up \$250 from the limit for 2021].
 - For family coverage, the out-of-pocket expense limit is \$9,050 [up \$300 from 2021].

Read a related IRS release—[IR 2021-219](#) (November 10, 2021)

Inflation adjustments for 2022—items of interest to exempt organizations

- The exemption of annual dues to be paid by a member to an agricultural or horticultural organization will be \$178.
- For purposes of defining the term “unrelated trade or business,” the unrelated business income of certain exempt organizations will not include a “low cost article” of \$11.70 or less.
- The \$5, \$25, and \$50 guidelines for disregarding insubstantial benefits received by a donor in return for a fully deductible charitable contribution under section 170, as set forth in Rev. Proc. 90-12 (as amplified by Rev. Proc. 92-49 , and modified by Rev. Proc. 92-102) will be \$11.70, \$58.50, and \$117, respectively.
- For tax years beginning in 2022, the annual per person, family, or entity limitation to qualify for the reporting exception for nondeductible lobbying expenses under section 6033(e)(3) (and section 5.05 of Rev. Proc. 98-19) will be \$124 or less.

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