Revenue Procedures

Rev. Proc. 2026-35, 11/06/2026, IRC Sec(s). 1

Tax rates and brackets-2027 inflation adjustments.

Headnote:

This revenue procedure sets forth inflation-adjusted items for 2027 for various IRC provisions as in effect on 11/5/2026 (to the extent IRC amendments are enacted for 2027 after 11/5/2026, IRS advises taxpayers to consult additional guidance to determine whether these adjustments remain applicable for 2027).

Reference(s): **Code Sec. 1; Code Sec. 23; Code Sec. 24; Code Sec. 32; Code Sec. 42; Code Sec. 45F; Code Sec. 45R; Code Sec. 55; Code Sec. 59; Code Sec. 62; Code Sec. 63; Code Sec. 125; Code Sec. 127; Code Sec. 132; Code Sec. 135; Code Sec. 137; Code Sec. 146; Code Sec. 147; Code Sec. 148; Code Sec. 152; Code Sec. 179; Code Sec. 179D; Code Sec. 199A; Code Sec. 213; Code Sec. 220; Code Sec. 221; Code Sec. 448; Code Sec. 461; Code Sec. 512; Code Sec. 513; Code Sec. 642; Code Sec. 831; Code Sec. 877; Code Sec. 877A; Code Sec. 911; Code Sec. 1202; Code Sec. 1274A; Code Sec. 2010; Code Sec. 2032A; Code Sec. 2503; Code Sec. 2523; Code Sec. 2801; Code Sec. 4161; Code Sec. 4261; Code Sec. 4611; Code Sec. 6033; Code Sec. 6039F; Code Sec. 6041; Code Sec. 6323; Code Sec. 6334;**

Code Sec. 6601; Code Sec. 6651; Code Sec. 6652; Code Sec. 6695; Code Sec. 6698; Code Sec. 6699; Code Sec. 6721; Code Sec. 6722; Code Sec. 6726; Code Sec. 7345; Code Sec. 7430; Code Sec. 7702B; Code Sec. 9831;

Full Text:

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 23, 24, 32, 42, 45F, 45R, 55, 59, 62, 63, 125, 127, 132(f), 135, 137, 146, 147, 148, 152, 179, 179D, 199A, 213, 220, 221, 448, 461, 512, 513, 529A, 642, 831, 877, 877A, 911, 1202, 1274A, 2010, 2032A, 2503, 2523, 2801, 4161, 4261, 4611, 6033, 6039F, 6041, 6323, 6334, 6601, 6651, 6652, 6695, 6698, 6699, 6721, 6722, 6726, 7345, 7430, 7702B, 9831; 1.148-5.)

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1. PURPOSE

This revenue procedure sets forth inflation-adjusted items for 2027 for various Code provisions as in effect on **[Release Date, 2026]** . The inflation adjusted items for the Code sections set forth in section 3 of this revenue procedure are generally determined by reference to § 1(f). If amendments to the Code are enacted for 2027 after **[Release Date, 2026]** , taxpayers should consult additional guidance to determine whether these adjustments remain applicable for 2027.

2. CHANGES

.01. **Section 70431 of Public Law 119-21** , 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act amends § 1202(b). Certain amounts referred to in § 1202(b) are adjusted for inflation for years beginning after 2026.

3. 2027 ADJUSTED ITEMS

.01. Tax Rate Tables. For taxable years beginning in 2027, the tax rate tables under § 1 are as follows:

TABLE 1 - Section 1(j)(2)(A) -Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is:	The Tax Is:
Not over $25,600	10% of the taxable income
Over $25,600 but not over $104,050	$2,560.00 plus 12% of the excess over $25,600
Over $104,050 but not over $218,250	$11,974.00 plus 22% of the excess over $104,050
Over $218,250 but not over $416,650	$37,098.00 plus 24% of the excess over $218,250
Over $416,650 but not over $529,100	$84,714.00 plus 32% of the excess over $416,650
Over $529,100 but not over $793,650	$120,698.00 plus 35% of the excess over $529,100
Over $793,650	$213,290.50 plus 37% of the excess over $793,650

TABLE 2 - Section 1(j)(2)(B) - Heads of Households

If Taxable Income Is:	The Tax Is:
Not over $18,250	10% of the taxable income
Over $18,250 but not over $69,650	$1,825.00 plus 12% of the excess over $18,250
Over $69,650 but not over $109,100	$7,993.00 plus 22% of the excess over $69,650
Over $109,100 but not over $208,300	$16,672.00 plus 24% of the excess over $109,100
Over $208,300 but not over $264,550	$40,480.00 plus 32% of the excess over $208,300
Over $264,550 but not over $661,350	$58,480.00 plus 35% of the excess over $264,550

If Taxable Income Is:	The Tax Is:
Over $661,350	$197,360.00 plus 37% of the excess over $661,350

TABLE 3 - Section 1(j)(2)(C) - Unmarried Individuals (other than Surviving Spouses and Heads of Households)

If Taxable Income Is:	The Tax Is:
Not over $12,800	10% of the taxable income
Over $12,800 but not over $52,025	$1,280.00 plus 12% of the excess over $12,800
Over $52,025 but not over $109,125	$5,987.00 plus 22% of the excess over $52,025
Over $109,125 but not over $208,325	$18,549.00 plus 24% of the excess over $109,125
Over $208,325 but not over $264,550	$42,357.00 plus 32% of the excess over $208,325
Over $264,550 but not over $661,375	$60,349.00 plus 35% of the excess over $264,550
Over $661,375	$199,237.75 plus 37% of the excess over $661,375

TABLE 4 - Section 1(j)(2)(D) - Married Individuals Filing Separate Returns

If Taxable Income Is:	The Tax Is:
Not over $12,800	10% of the taxable income
Over $12,800 but not over $52,025	$1,280.00 plus 12% of the excess over $12,800
Over $52,025 but not over $109,125	$5,987.00 plus 22% of the excess over $52,025
Over $109,125 but not over $208,325	$18,549.00 plus 24% of the excess over $109,125
Over $208,325 but not over $264,550	$42,357.00 plus 32% of the excess over $208,325
Over $264,550 but not over $396,825	$60,349.00 plus 35% of the excess over $264,550
Over $396,825	$106,645.25 plus 37% of the excess over $396,825

TABLE 5 - Section 1(j)(2)(E) - Estates and Trusts

If Taxable Income Is:	The Tax Is:
Not over $3,400	10% of the taxable income
Over $3,400 but not over $12,100	$340 plus 24% of the excess over $3,400
Over $12,100 but not over $16,500	$2,428 plus 35% of the excess over $12,100
Over $16,500	$3,968 plus 37% of the excess over $16,500

.02. Unearned Income of Minor Children Subject to the "Kiddie Tax". For taxable years beginning in 2027, the amount in § 1(g)(4)(A)(ii)(I), which is used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is $1,400. This $1,400 amount is the same as the amount provided in § 63(c)(5)(A), as adjusted for inflation. The same $1,400 amount is used for purposes of § 1(g)(7) to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax." For example, one of the requirements for the parental election is that a child's gross income is more than the amount referred to in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child's gross income for 2027 must be more than $1,400 but less than $14,000.

.03. Maximum Capital Gains Rate (§ 1(h), § 1(j)(5)). For taxable years beginning in 2027, the maximum zero rate amounts and maximum 15 percent rate amounts under § 1(j)(5)(B), as adjusted for inflation, are as follows:

Filing Status	Maximum Zero Rate Amount	Maximum15% Rate Amount
Married Individuals Filing Joint Returns and Surviving Spouse	$102,100	$633,600
Married Individuals Filing Separate Returns	$51,050	$316,800
Heads of Households	$68,350	$598,400
All Other Individuals	$51,050	$563,200
Estates and Trusts	$3,400	$16,750

.04. Adoption Credit.

(1) Adoption Credit for Children with Special Needs. For taxable years beginning in 2027, under § 23(a)(3), the credit allowed for an adoption of a child with special needs is $18,250.

(2) Adoption Credit Limitation. For taxable years beginning in 2027, under § 23(b)(1), the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to $18,250. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of $273,680 and is completely phased out for taxpayers with modified adjusted gross income of $313,680 or more. See section 3.20 of this revenue procedure for the adjusted items relating to adoption assistance programs.

(3) Refundable Portion. For taxable years beginning in 2027, the amount used in § 23(a)(4) to determine the amount of the credit under § 23 that may be refundable is $5,280.

.05. Child Tax Credit.

(1) Maximum amount of the credit. For taxable years beginning in 2027, the maximum amount of the credit allowed under § 24(a) is $2,300.

(2) Refundable portion. For taxable years beginning in 2027, the amount used in § 24(d)(1)(A) to determine the amount of the credit under § 24 that may be refundable is $1,800.

.06. Earned Income Credit.

(1) In general. For taxable years beginning in 2027, the following amounts are used to determine the earned income credit under § 32(b). The "earned income amount" is the amount of earned income at or above which the maximum amount of the earned income credit is allowed. The "threshold phaseout amount" is the amount of adjusted gross income (or, if greater, earned income) above which the maximum amount of the credit begins to phase out. The "completed phaseout amount" is the amount of adjusted gross income (or, if greater, earned income) at or above which no credit is allowed. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for married taxpayers filing a joint return include the increase provided in § 32(b)(2)(B), as adjusted for inflation for taxable years beginning in 2027. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for taxpayers with all other

filing statuses also apply to married taxpayers who are not filing a joint return and satisfy the special rules for separated spouses in § 32(d).

Item	One Qualifying Child	Two Qualifying Children	Three or More Qualifying Children	No Qualifying Children
Earned Income Amount	$13,450	$18,880	$18,880	$8,960
Maximum Amount of Credit	$4,573	$7,552	$8,496	$685
Threshold Phaseout Amount (Married Filing Jointly)	$32,170	$32,170	$32,170	$18,730
Completed Phaseout Amount (Married Filing Jointly)	$60,787	$68,029	$72,512	$27,684
Threshold Phaseout Amount (All other filing statuses)	$24,660	$24,660	$24,660	$11,210
Completed Phaseout Amount (All other filing statuses)	$53,277	$60,519	$65,002	$20,164

The instructions for the Form 1040 series provide tables showing the amount of the earned income credit for each type of taxpayer.

(2) Excessive Investment Income. For taxable years beginning in 2027, the earned income tax credit is not allowed under § 32(i) if the aggregate amount of certain investment income exceeds $12,600.

.07. Rehabilitation Expenditures Treated as Separate New Building. For calendar year 2027, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is $9,000.

.08. Low-Income Housing Credit. For calendar year 2027, the amount used under § 42(h)(3)(C)(ii) to calculate the State housing credit ceiling for the low-income housing credit is the greater of (1) $3.53 multiplied by the State population, or (2) $4,082,400.

.09. Employer-Provided Child Care Credit. For taxable years beginning in 2027, the maximum allowable credit under § 45F(b) is $515,943.67 ($619,132.40 in the case of an eligible small business).

.10. Employee Health Insurance Expense of Small Employers. For taxable years beginning in 2027, the dollar amount in effect under § 45R(d)(3)(B) is $35,162.04. This amount is used under § 45R(c) for limiting the small employer health insurance credit and under § 45R(d)(1)(B) for determining who is an eligible small employer for purposes of the credit.

.11. Exemption Amounts for Alternative Minimum Tax. For taxable years beginning in 2027, the exemption amounts under § 55(d)(1) are:

Joint Returns or Surviving Spouses	$144,700
Unmarried Individuals (other than Surviving Spouses)	$93,000
Married Individuals Filing Separate Returns	$72,350
Estates and Trusts	$32,500

For taxable years beginning in 2027, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

Married Individuals Filing Separate Returns	$126,250
All Other Taxpayers	$252,500

For taxable years beginning in 2027, the amounts used under § 55(d)(2) to determine the phaseout of the exemption amounts are:

Filing status	Threshold Phaseout Amount	Complete Phaseout Amount
Joint Returns or Surviving Spouses	$1,031,900	$1,321,300
Unmarried Individuals (other than Surviving Spouses)	$515,950	$701,950
Married Individuals Filing Separate Returns	$515,950	$660,650
Estates and Trusts	$108,200	$173,200

.12. Alternative Minimum Tax Exemption for a Child Subject to the "Kiddie Tax." For taxable years beginning in 2027, for a child to whom the § 1(g) "kiddie tax" applies, the exemption amount under §§ 55(d) and 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (1) the child's earned income for the taxable year, plus (2) $10,050.

.13. Certain Expenses of Elementary and Secondary School Teachers. For taxable years beginning in 2027, under § 62(a)(2)(D), the amount of the deduction allowed under § 162 that consists of expenses paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom is $350.

.14. Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees Under Accountable Plans. For calendar year 2027, an eligible employer may pay certain welders and heavy equipment mechanics an amount up to $23 per hour for rig-related expenses that are deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002-41, 2002-1 C.B. 1098. If the employer provides fuel or otherwise reimburses fuel expenses, an amount up to $14 per hour is deemed substantiated if paid in accordance with Rev. Proc. 2002-41.

.15. Standard Deduction.

(1) In general. For taxable years beginning in 2027, the standard deduction amounts under § 63(c)(2) are as follows:

Filing Status	Standard Deduction
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(j)(2)(A))	$33,200
Heads of Households (§ 1(j)(2)(B))	$24,925
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(j)(2)(C))	$16,600
Married Individuals Filing Separate Returns (§ 1(j)(2)(D))	$16,600

(2) Dependent. For taxable years beginning in 2027, the standard deduction amount under § 63(c)(5) for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) $1,400, or (2) the sum of $500 and the individual's earned income.

(3) Aged or blind. For taxable years beginning in 2027, the additional standard deduction amount under § 63(f) for the aged or the blind is $1,700. The additional standard deduction amount is increased to $2,100 if the individual is also unmarried and not a surviving spouse.

.16. Cafeteria Plans. For taxable years beginning in 2027, the dollar limitation under § 125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements is $3,500. If the cafeteria plan permits the carryover of unused amounts, the maximum carryover amount is $700.

.17. Educational Assistance Program Exclusion. For taxable years beginning in 2027, the amount that can be excluded from an employee's gross income under § 127(a) for educational assistance is $5,400.

.18. Qualified Transportation Fringe Benefit. For taxable years beginning in 2027, the monthly limitation under § 132(f)(2)(A) regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is $350. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is $350.

.19. Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses. For taxable years beginning in 2027, the exclusion under § 135, regarding income from United States savings bonds for taxpayers who pay qualified higher education expenses, begins to phase out for modified adjusted gross income above $157,600 for joint returns and $105,100 for all other returns. The exclusion is completely phased out for modified adjusted gross income of $187,600 or more for joint returns and $120,100 or more for all other returns.

.20. Adoption Assistance Programs. For taxable years beginning in 2027, under § 137(a)(2), the amount that can be excluded from an employee's gross income for the adoption of a child with special needs is $18,250. For taxable years beginning in 2027, under § 137(b)(1) the maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for adoptions by the employee is $18,250. The amount excludable from an employee's gross income begins to phase out under § 137(b)(2)(A) for taxpayers with modified adjusted gross income in excess of $273,680 and is completely phased out for taxpayers with modified adjusted gross income of $313,680 or more. See section 3.04 of this revenue procedure for the adjusted items relating to the adoption credit.

.21. Private Activity Bonds Volume Cap. For calendar year 2027, the amounts used under § 146(d) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) $135 multiplied by the State population, or (2) $410,520,000.

.22. Loan Limits on Agricultural Bonds. For calendar year 2027, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is $704,800.

.23. General Arbitrage Rebate Rules. For bond years ending in 2027, the amount of the computation credit determined under § 1.148-3(d)(4) of the Income Tax Regulations is $2,240.

.24. Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow. For calendar year 2027, under § 1.148-5(e)(2)(iii)(B)(1) of the Income Tax Regulations, a broker's commission or similar fee for the acquisition of a guaranteed investment contract or investments purchased for a yield

restricted defeasance escrow is reasonable if (1) the amount of the fee that the issuer treats as a qualified administrative cost does not exceed the lesser of (A) $53,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(*2*)) or, if more, $5,000; and (2) for any issue, the issuer does not treat more than $149,000 in brokers' commissions or similar fees as qualified administrative costs for all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with gross proceeds of the issue.

.25. Gross Income Limitation for a Qualifying Relative. For taxable years beginning in 2027, the exemption amount referred to in § 152(d)(1)(B) is $5,500.

.26. Election to Expense Certain Depreciable Assets. For taxable years beginning in 2027, under § 179(b)(1), the aggregate cost of any § 179 property that a taxpayer elects to treat as an expense cannot exceed $2,640,000 and, under § 179(b)(5)(A), the cost of any sport utility vehicle that may be taken into account under § 179 cannot exceed $33,100. Under § 179(b)(2), the $2,640,000 limitation under § 179(b)(1) is reduced (but not below zero) by the amount by which the cost of § 179 property placed in service during the 2027 taxable year exceeds $4,230,000.

.27. Energy Efficient Commercial Buildings Deduction. For taxable years beginning in 2027, the applicable dollar value used to determine the maximum allowance of the deduction under § 179D(b)(2) is $0.61 increased (but not above $1.23) by $0.02 for each percentage point by which the total annual energy and power costs for the buildings are certified to be reduced by a percentage greater than 25 percent. For taxable years beginning in 2027, the applicable dollar value used to determine the increased deduction amount for certain property under § 179D(b)(3) is $3.07 increased (but not above $6.13) by $0.12 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25 percent.

.28. Qualified Business Income.

(1) Threshold Amounts. For taxable years beginning in 2027, the threshold amounts under § 199A(e)(2) and phase-in range amounts under § 199A(b)(3)(B) and § 199A(d)(3)(A) are:

Filing Status	Threshold amount	Phase-in range amount
Married Individuals Filing Joint Returns	$416,600	$566,600
Married Individuals Filing Separate Returns	$208,325	$283,325
All Other Returns	$208,300	$283,300

(2) Minimum Deduction and Qualified Business Income Amounts. For taxable years beginning in 2027, the minimum amount of aggerate qualified business income necessary for a taxpayer to be an "applicable taxpayer" under § 199A(i)(2)(A) is $1,030. For taxable years beginning in 2027, an applicable taxpayer's minimum deduction amount provided in § 199A(i)(1)(B) for active qualified business income is $415.

.29. Eligible Long-Term Care Premiums. For taxable years beginning in 2027, the limitations under § 213(d)(10), regarding eligible long-term care premiums includible in the term "medical care" are as follows:

Attained Age Before the Close of the Taxable Year	Limitation on Premiums
40 or less	$500
More than 40 but not more than 50	$945
More than 50 but not more than 60	$1,890
More than 60 but not more than 70	$5,030
More than 70	$6,290

.30. Medical Savings Accounts.

(1) Self-only coverage. For taxable years beginning in 2027, the term "high deductible health plan" as defined in § 220(c)(2)(A) means, for self-only coverage, a health plan that has an annual deductible that is not less than $3,000 and not more than $4,550, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed $6,050.

(2) Family coverage. For taxable years beginning in 2027, the term "high deductible health plan" means, for family coverage, a health plan that has an annual deductible that is not less

than $6,050 and not more than $9,050, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed $11,050.

.31. Interest on Education Loans. For taxable years beginning in 2027, the $2,500 maximum deduction for interest paid on qualified education loans under § 221 begins to phase out under § 221(b)(2)(B), as adjusted for inflation, for taxpayers with modified adjusted gross income in excess of $90,000 ($180,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of $105,000 or more ($210,000 or more for joint returns).

.32. Limitation on Use of Cash Method of Accounting. For taxable years beginning in 2027, a corporation or partnership meets the gross receipts test of § 448(c) for any taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with the taxable year which precedes such taxable year does not exceed $33,000,000.

.33. Limitation on Excess Business Loss. For taxable years beginning in 2027, in determining a taxpayer's excess business loss, the amount under § 461(l)(3)(A)(ii)(II) is $264,000 ($528,000 for joint returns).

.34. Treatment of Dues Paid to Agricultural or Horticultural Organizations. For taxable years beginning in 2027, the limitation under § 512(d)(1), regarding the exemption of annual dues required to be paid by a member to an agricultural or horticultural organization, is $218.44.

.35. Insubstantial Benefit Limitations for Contributions Associated with Charitable Fund-Raising Campaigns .

(1) Low cost article. For taxable years beginning in 2027, for purposes of defining the term "unrelated trade or business" for certain exempt organizations under § 513(h)(2), "low cost articles" are articles costing $14.33 or less.

(2) Other insubstantial benefits. For taxable years beginning in 2027, under § 170, the $5, $25, and $50 guidelines in section 3 of Rev. Proc. 90-12, 1990-1 C.B. 471 (as amplified by Rev. Proc. 92-49, 1992-1 C.B. 987, and modified by Rev. Proc. 92-102, 1992-2 C.B. 579), for the value of insubstantial benefits that may be received by a donor in return for a contribution, without causing the contribution to fail to be fully deductible, are $14.33, $71.65 and $143.30, respectively.

.36. Aggregate Limitation on Contributions to ABLE Accounts. For taxable years beginning in 2027, $20,000 (instead of the amount under provided in section 3.46(1) of this revenue procedure) is included in the aggregate limitation on contributions to ABLE accounts under § 529A(b)(2)(B)(i).

.37. Special Rules for Credits and Deductions. For taxable years beginning in 2027, the amount of the deduction under § 642(b)(2)(C)(i) is $5,450.

.38. Tax on Insurance Companies Other than Life Insurance Companies. For taxable years beginning in 2027, under § 831(b)(2)(A)(i) the amount of the limit on net written premiums or direct written premiums (whichever is greater) is $3,000,000 to elect the alternative tax for certain small companies under § 831(b)(1) to be taxed only on taxable investment income.

.39. Expatriation to Avoid Tax. For calendar year 2027, under § 877A(g)(1)(A), unless an exception under § 877A(g)(1)(B) applies, an individual is a covered expatriate if the individual's "average annual net income tax" under § 877(a)(2)(A) for the five taxable years ending before the expatriation date is more than $218,000.

.40. Tax Responsibilities of Expatriation. For taxable years beginning in 2027, the amount that would be includible in the gross income of a covered expatriate by reason of § 877A(a)(1) is reduced (but not below zero) by $940,000 pursuant to § 877A(a)(3).

.41. Foreign Earned Income Exclusion. For taxable years beginning in 2027, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is $137,300.

.42. Partial Exclusion for Gain from Certain Small Business Stock.

(1) For taxable years beginning in 2027, the $15,000,000 amount referred to in § 1202(b)(4)(B) is adjusted to $15,480,000.

(2) For taxable years beginning in 2027, the $75,000,000 amount referred to in the introductory clause in § 1202(b)(4) is adjusted to $77,390,000.

.43. Debt Instruments Arising Out of Sales or Exchanges. For calendar year 2027, a qualified debt instrument under § 1274A(b) has stated principal that does not exceed $7,704,600, and a cash method debt instrument under § 1274A(c)(2) has stated principal that does not exceed $5,503,300.

.44. Basic Exclusion Amount for Estate Tax. For calendar year 2027, the basic exclusion amount under § 2010(c)(3) is $15,480,000. The basic exclusion amount is used in determining the applicable credit amount against estate tax described in section 2010(c)(1) and the applicable credit amount against gift tax described in section 2505(a)(1). The basic exclusion amount is also used in determining the generation-skipping transfer exemption amount under section 2631(c).

.45. Limitation on Aggregate Decrease in Value of Qualified Real Property in Decedent's Gross Estate. For an estate of a decedent dying in calendar year 2027, if the executor elects to use the special use valuation method under § 2032A for qualified real property, the aggregate decrease in the value of qualified real property resulting from electing to use § 2032A for purposes of the estate tax cannot exceed $1,500,000.

.46. Annual Exclusion for Gifts and Annual Exception for Covered Gifts and Covered Bequests Received from a Covered Expatriate.

(1) For calendar year 2027, the first $20,000 of gifts to any person (other than gifts of future interests in property) are not included in the total amount of taxable gifts under § 2503 made during that year.

(2) For calendar year 2027, the first $201,000 (instead of the amount provided in paragraph (1) of this section 3.46) 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 under §§ 2503 and 2523(i)(2) made during that year.

(3) The tax imposed under § 2801 on the receipt of covered gifts or covered bequests from a covered expatriate shall apply only to the extent that the value of covered gifts and covered bequests received during calendar year 2027 exceeds $20,000.

.47. Tax on Arrow Shafts. For calendar year 2027, the tax imposed under § 4161(b)(2)(A) on the first sale by the manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows is $0.67 per shaft.

.48. Passenger Air Transportation Excise Tax. For calendar year 2027, the tax under § 4261(b)(1) on the amount paid for each domestic segment of taxable air transportation is $5.50. For calendar year 2027, the tax under § 4261(c)(1) on any amount paid (whether within or without the United States) for any international air transportation, if the transportation begins or ends in the United States, generally is $24.10. Under § 4261(c)(3), however, a lower rate of tax applies under § 4261(c)(1) to a domestic segment beginning or ending in Alaska or Hawaii, and the tax applies only to departures. For calendar year 2027, the rate of tax is $12.10.

.49. Tax on Certain Uses of Crude Oil and Petroleum Products. For calendar year 2027, the tax imposed under § 4611(a) on crude oil received at a United States refinery and petroleum products entered into the United States for consumption, use, or warehousing is $0.18 per barrel, which is the sum of the inflation-adjusted Hazardous Substance Superfund financing rate of $0.18 per barrel under § 4611(c)(2)(A) and the applicable Oil Spill Liability Trust Fund financing rate of $0.00 per barrel under § 4611(c)(2)(B) and (f)(2).

.50. Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures. For taxable years beginning in 2027, the annual per person, family, or entity dues limitation to qualify for the reporting exception under § 6033(e)(3) (and section 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547), regarding certain exempt organizations with nondeductible lobbying expenditures, is $151.00 or less.

.51. Notice of Large Gifts Received from Foreign Persons. For taxable years beginning in 2027, § 6039F authorizes the Secretary of the Treasury or the Secretary's delegate to require recipients of gifts from certain foreign persons to report these gifts if the aggregate value of gifts received in the taxable year exceeds $21,240.31.

.52. Payment Reporting Threshold. For payments made in calendar year 2027, the reporting threshold for payments described in § 6041(a) is $2,100.

.53. Persons Against Whom a Federal Tax Lien Is Not Valid. For calendar year 2027, a federal tax lien is not valid against (1) certain purchasers under § 6323(b)(4) who purchased personal property in

a casual sale for less than $2,070, or (2) a mechanic's lienor under § 6323(b)(7) who repaired or improved certain residential property if the contract price with the owner is not more than $10,340.

.54. Property Exempt from Levy. For calendar year 2027, the value of property exempt from levy under § 6334(a)(2) (fuel, provisions, furniture, and other household personal effects, as well as arms for personal use, livestock, and poultry) cannot exceed $12,370. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) cannot exceed $6,180.

.55. Exempt Amount of Wages, Salary, or Other Income. For taxable years beginning in 2027, the dollar amount used to calculate the amount determined under § 6334(d)(4)(B) is $5,450.

.56. Interest on a Certain Portion of the Estate Tax Payable in Installments. For an estate of a decedent dying in calendar year 2027, the dollar amount used to determine the "2-percent portion" (for purposes of calculating interest under § 6601(j)) of the estate tax extended as provided in § 6166 is $2,010,000.

.57. Failure to File Tax Return. In the case of any return required to be filed in 2028, the amount of the addition to tax under § 6651(a) for failure to file an income tax return within 60 days of the due date of such return (determined with regard to any extensions of time for filing) will not be less than the lesser of $555 or 100 percent of the amount required to be shown as tax on such return.

.58. Failure to File Certain Information Returns, Registration Statements, etc. For returns required to be filed in 2028, the penalty amounts under § 6652(c) are:

(1) for failure to file a return required under § 6033(a)(1) (relating to returns by exempt organization) or § 6012(a)(6) (relating to returns by political organizations):

Scenario	**Daily Penalty**	**Maximum Penalty**
Organization (§ 6652(c)(1)(A))	$25	Lesser of $13,500 or 5% of gross receipts of the organization for the year.

Scenario	Daily Penalty	Maximum Penalty
Organization with gross receipts exceeding $1,383,000 (§ 6652(c)(1)(A))	$135	$69,000
Managers (§ 6652(c)(1)(B))	$10	$6,500
Public inspection of annual returns and reports (§ 6652(c)(1)(C))	$25	$13,500
Public inspection of applications for exemption and notice of status (§ 6652(c)(1)(D))	$25	No Limit

(2) for failure to file a return required under § 6034 (relating to returns by certain trust) or § 6043(b) (relating to terminations, etc., of exempt organizations):

Scenario	Daily Penalty	Maximum Penalty
Organization or trust (§ 6652(c)(2)(A))	$10	$6,500
Managers (§ 6652(c)(2)(B))	$10	$6,500
Split-Interest Trust (§ 6652(c)(2)(C))	$25	$13,500
Any trust with gross income exceeding $345,500 (§ 6652(c)(2)(C)(ii))	$135	$69,000

(3) for failure to file a disclosure required under § 6033(a)(2):

Scenario	Daily Penalty	Maximum Penalty
Tax-exempt entity (§ 6652(c)(3)(A))	$135	$69,000
Failure to comply with written demand (§ 6652(c)(3)(B)(ii))	$135	$13,500

.59. Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons. In the case of any failure relating to a return or claim for refund filed in 2028, the penalty amounts under § 6695 are:

Scenario	Per Return or Claim for Refund	Maximum Penalty
Failure to furnish copy to taxpayer (§ 6695(a))	$65	$34,500
Failure to sign return (§ 6695(b))	$65	$34,500
Failure to furnish identifying number (§ 6695(c))	$65	$34,500
Failure to retain copy or list (§ 6695(d))	$65	$34,500
Failure to file correct information returns (§ 6695(e))	$65 per return and item in return	$34,500
Negotiation of check (§ 6695(f))	$690 per check	No limit
Failure to be diligent in determining eligibility for head of household filing status, child tax credit, American Opportunity tax credit, and earned income credit (§ 6695(g))	$690 per failure	No limit

.60. Failure to File Partnership Return. In the case of any return required to be filed in 2028, the dollar amount used to determine the amount of the penalty under § 6698(b)(1) is $265.

.61. Failure to File S Corporation Return. In the case of any return required to be filed in 2028, the dollar amount used to determine the amount of the penalty under § 6699(b)(1) is $265.

.62. Failure to File Correct Information Returns. In the case of any failure relating to a return required to be filed in 2028, the penalty amounts under § 6721 are:

(1) for persons with average annual gross receipts for the most recent three taxable years of more than $5,000,000, for failure to file correct information returns:

Scenario	**Penalty Per Return**	**Calendar Year Maximum**
General Rule (§ 6721(a)(1))	$360	$4,327,500
Corrected on or before 30 days after required filing date (§ 6721(b)(1))	$70	$721,000
Corrected after 30th day but on or before August 1, 2028 (§ 6721(b)(2))	$140	$2,163,500

(2) for persons with average annual gross receipts for the most recent three taxable years of $5,000,000 or less, for failure to file correct information returns:

Scenario	Penalty Per Return	Calendar Year Maximum
General Rule (§ 6721(d)(1)(A))	$360	$1,442,500
Corrected on or before 30 days after required filing date (§ 6721(d)(1)(B))	$70	$252,000
Corrected after 30th day but on or before August 1, 2028 (§ 6721(d)(1)(C))	$140	$721,000

(3) for failure to file correct information returns due to intentional disregard of the filing requirement (or the correct information reporting requirement):

Scenario	Penalty Per Return	Calendar Year Maximum
Return other than a return required to be filed under §§ 6045(a), 6041A(b), 6050H, 6050I, 6050J, 6050K, or 6050L (§ 6721(e)(2)(A))	Greater of (i) $720, or (ii) 10% of aggregate amount of items required to be reported correctly	No limit

Return required to be filed under §§ 6045(a), 6050K, or 6050L (§ 6721(e)(2)(B))	Greater of (i) $720, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit
Return required to be filed under § 6050I(a) (§ 6721(e)(2)(C))	Greater of (i) $36,060, or (ii) amount of cash received up to $144,000	No limit
Return required to be filed under § 6050V (§ 6721(e)(2)(D))	Greater of (i) $720, or (ii) 10% of the value of the benefit of any contract with respect to which information is required to be included on the return	No limit

.63. Failure to Furnish Correct Payee Statements. In the case of any failure relating to a statement required to be furnished in 2028, the penalty amounts under § 6722 are:

(1) for persons with average annual gross receipts for the most recent three taxable years of more than $5,000,000, for failure to furnish correct payee statements:

Scenario	Penalty Per Statement	Calendar Year Maximum
General Rule (§ 6722(a)(1))	$360	$4,327,500
Corrected on or before 30 days after required furnishing date (§ 6722(b)(1))	$70	$721,000
Corrected after 30th day but on or before August 1, 2028 (§ 6722(b)(2))	$140	$2,163,500

(2) for persons with average annual gross receipts for the most recent 3 taxable years of $5,000,000 or less, for failure to furnish correct payee statements:

Scenario	Penalty Per Statement	Calendar Year Maximum
General Rule (§ 6722(d)(1)(A))	$360	$1,442,500

Scenario	Penalty Per Statement	Calendar Year Maximum
Corrected on or before 30 days after required furnishing date (§ 6722(d)(1)(B))	$70	$252,000
Corrected after 30th day but on or before August 1, 2028 (§ 6722(d)(1)(C))	$140	$721,000

(3) for failure to furnish correct payee statements due to intentional disregard of the requirement to furnish a payee statement (or the correct information reporting requirement):

Scenario	Penalty Per Statement	Calendar Year Maximum
Payee statement other than a statement required under §§ 6045(b), 6041A(e) (in respect of a return required under §§ 6041A(b)), 6050H(d), 6050J(e), 6050K(b), or 6050L(c) (§ 6722(e)(2)(A))	Greater of (i) $720, or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Payee statement required under §§ 6045(b), 6050K(b), or 6050L(c) (§ 6722(e)(2)(B))	Greater of (i) $720, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit

.64. Failure to Comply with Information Reporting Requirements Relating to Qualified Opportunity Funds and Qualified Rural Opportunity Funds. In the case of any return required to be filed in 2028, the penalty amount under § 6726 for failure to file a return in the time and manner prescribed for a qualified opportunity fund or qualified rural opportunity fund under § 6039K is $520 per day with a maximum penalty of $10,000 per return ($52,000 if the gross assets of the fund are greater than $10,560,000). If the failure to file in the time and manner prescribed is due to intentional disregard, then the penalty is $2,640 per day with a maximum penalty is $52,000 per return ($264,000 if the gross assets of the fund are greater than $10,560,000).

.65. Revocation or Denial of Passport in Case of Certain Tax Delinquencies. For calendar year 2027, a federal tax liability must be greater than $68,000 to be considered seriously delinquent tax debt under § 7345.

.66. Attorney Fee Awards. For fees incurred in calendar year 2027, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is $270 per hour.

.67. Periodic Payments Received Under Qualified Long-Term Care Insurance Contracts or Under Certain Life Insurance Contracts. For calendar year 2027, the stated dollar amount of the per diem limitation under § 7702B(d)(4), regarding periodic payments received under a qualified long-term care insurance contract or periodic payments received under a life insurance contract that are treated as paid by reason of the death of a chronically ill individual, is $445.

.68. Qualified Small Employer Health Reimbursement Arrangement. For taxable years beginning in 2027, to qualify as a qualified small employer health reimbursement arrangement under § 9831(d), the arrangement must provide that the total amount of payments and reimbursements for any year cannot exceed $6,700 ($13,550 for family coverage).

4. EFFECTIVE DATE

.01. General Rule. Except as provided in section 4.02 of this revenue procedure, this revenue procedure applies to taxable years beginning in 2027.

.02. Calendar Year Rule. Section 3 of this revenue procedure applies to transactions or events occurring in calendar year 2027 for purposes of sections 3.07 (rehabilitation expenditures treated as separate new building), 3.08 (low-income housing credit), 3.14 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 3.21 (private activity bonds volume cap), 3.22 (loan limits on agricultural bonds), 3.23 (general arbitrage rebate rules), 3.24 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 3.39 (expatriation to avoid tax), 3.43 (debt instruments arising out of sales or exchanges), 3.44 (basic exclusion amount for estate tax), 3.45 (limitation on aggregate decrease in value of qualified real property in decedent's gross estate), 3.46 (annual exclusion for gifts and annual exception for

covered gifts and covered bequests received from a covered expatriate), 3.47 (tax on arrow shafts), 3.48 (passenger air transportation excise tax), 3.49 (tax on certain uses of crude oil and petroleum products), 3.53 (persons against whom a federal tax lien is not valid), 3.54 (property exempt from levy), 3.56 (interest on a certain portion of the estate tax payable in installments), 3.65 (revocation or denial of passport in case of certain tax delinquencies), 3.66 (attorney fee awards), and 3.67 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts) of this revenue procedure.

5. DRAFTING INFORMATION

The principal author of this revenue procedure is Michael Finn of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Finn at (202) 317-4718 (not a toll-free call).

1 Unless otherwise specified, all references to "section" or "§" are to provisions of the Internal Revenue Code.

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