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2019 Tax Brackets

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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 and 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.¹ However, with the Tax Cuts and Jobs Act of 2017, the IRS will now use the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.²

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1 Internal Revenue Service, “Revenue Procedure 2018-57,” <https://www.irs.gov/pub/irs-drop/rp-18-57.pdf>.

2 Robert Cage, John Greenlees, and Patrick Jackman, “Introducing the Chained Consumer Price Index,” U.S. Bureau of Labor Statistics, May 2003, <https://www.bls.gov/cpi/additional-resources/chained-cpi-introduction.pdf>.

Income Tax Brackets and Rates

In 2019, 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 \$510,300 and higher for single filers and \$612,350 and higher for married couples filing jointly.

TABLE 1.

Unmarried Individuals, Tax Brackets and Rates, 2019

| Rate | Taxable Income Over |
|------|---------------------|
| 10% | \$0 |
| 12% | \$9,700 |
| 22% | \$39,475 |
| 24% | \$84,200 |
| 32% | \$160,725 |
| 35% | \$204,100 |
| 37% | \$510,300 |

TABLE 2.

Married Individuals Filing Joint Returns, Tax Brackets and Rates, 2019

| Rate | Taxable Income Over |
|------|---------------------|
| 10% | \$0 |
| 12% | \$19,400 |
| 22% | \$78,950 |
| 24% | \$168,400 |
| 32% | \$321,450 |
| 35% | \$408,200 |
| 37% | \$612,350 |

TABLE 3.

Heads of Households, Tax Brackets and Rates, 2019

| Rate | Taxable Income Over |
|------|---------------------|
| 10% | \$0 |
| 12% | \$13,850 |
| 22% | \$52,850 |
| 24% | \$84,200 |
| 32% | \$160,700 |
| 35% | \$204,100 |
| 37% | \$510,300 |

Standard Deduction and Personal Exemption

The standard deduction for single filers will increase by \$200 and by \$400 for married couples filing jointly (Table 4).

The personal exemption for 2019 remains eliminated.

TABLE 4.
2019 Standard Deduction and Personal Exemption

| Filing Status | Deduction Amount |
|------------------------|------------------|
| Single | \$12,200 |
| Married Filing Jointly | \$24,400 |
| Head of Household | \$18,350 |

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 2019 is \$71,700 for singles and \$111,700 for married couples filing jointly (Table 5).

TABLE 5.
2019 Alternative Minimum Tax Exemptions

| Filing Status | Exemption Amount |
|------------------------|------------------|
| Unmarried Individuals | \$71,700 |
| Married Filing Jointly | \$111,700 |

In 2019, the 28 percent AMT rate applies to excess AMTI of \$194,800 for all taxpayers (\$97,400 for married couples filing joint returns).

AMT exemptions phase out at 25 cents per dollar earned once taxpayer AMTI hits a certain threshold. In 2019, the exemption will start phasing out at \$510,300 in AMTI for single filers and \$1,020,600 for married taxpayers filing jointly (Table 6.)

TABLE 6.

2019 Alternative Minimum Tax Exemption Phaseout Thresholds

| Filing Status | Threshold |
|------------------------|-------------|
| Unmarried Individuals | \$510,300 |
| Married Filing Jointly | \$1,020,600 |

Earned Income Tax Credit

The maximum Earned Income Tax Credit in 2019 for single and joint filers is \$529, if the filer has no children (Table 7). The maximum credit is \$3,526 for one child, \$5,828 for two children, and \$6,557 for three or more children. All these are relatively small increases from 2018.

TABLE 7.

2019 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 | \$6,920 | \$10,370 | \$14,570 | \$14,570 |
| | Maximum Credit | \$529 | \$3,526 | \$5,828 | \$6,557 |
| | Phaseout Begins | \$8,650 | \$19,030 | \$19,030 | \$19,030 |
| | Phaseout Ends (Credit Equals Zero) | \$15,570 | \$41,094 | \$46,703 | \$50,162 |
| Married Filing Jointly | Income at Max Credit | \$6,920 | \$10,370 | \$14,570 | \$14,570 |
| | Maximum Credit | \$529 | \$3,526 | \$5,828 | \$6,557 |
| | Phaseout Begins | \$14,450 | \$24,820 | \$24,820 | \$24,820 |
| | Phaseout Ends (Credit Equals Zero) | \$21,370 | \$46,884 | \$52,493 | \$55,952 |

Child Tax Credit

The child tax credit totals at \$2,000 per qualifying child and is not adjusted for inflation. However, the refundable portion of the Child Tax Credit, also known as the Additional Child Tax Credit, is adjusted for inflation. The Additional Child Tax Credit will remain at \$1,400 for 2019.

Capital Gains

Long-term capital gains are taxed using different brackets and rates than ordinary income.

TABLE 8.

2019 Capital Gains Brackets

| | For Unmarried Individuals, Capital Gains Over | For Married Individuals Filing Joint Returns, Capital Gains Over | For Heads of Households, Capital Gains Over |
|-----|--|--|--|
| 0% | \$0 | \$0 | \$0 |
| 15% | \$39,375 | \$78,750 | \$52,750 |
| 20% | \$434,550 | \$488,850 | \$461,700 |

Qualified Business Income Deduction (Sec. 199A)

The Tax Cuts and Jobs Act includes a 20 percent deduction for pass-through businesses against up to \$160,700 of qualified business income for unmarried taxpayers and \$321,400 for married taxpayers (Table 9).

TABLE 9.

2019 Qualified Business Income Deduction Thresholds

| Filing Status | Threshold |
|------------------------|-----------|
| Unmarried Individuals | \$160,700 |
| Married Filing Jointly | \$321,400 |

Annual Exclusion for Gifts

In 2019, the first \$15,000 of gifts to any person are excluded from tax. The exclusion is increased to \$155,000 for gifts to spouses.