

United States: Key 2018 and 2019 federal tax rates and limits

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In brief

The following is a high-level summary of some key individual tax rates and applicable limits for 2018 and 2019. For purposes of this Insight, the reference to '\$' means US dollars. Further:

- MFJ means married filing jointly
- MFS means married filing separately
- HOH means head of household.

This compilation is intended to serve as a handy reference guide for companies with globally mobile workforces as they prepare for US individual tax filings relating to 2018, as well as planning for 2019.

The list is not exhaustive and does not contain all the changes made by the 2017 US tax reform legislation (hereinafter the Act) enacted December 22, 2017. It is important to note that most individual tax changes under the Act that are relevant for the 2018 tax year are scheduled to sunset after 2025.

Note that many states that conformed to federal law for 2017 did not conform (in whole or in part) to changes made by the Act for the 2018 year and may not for 2019.

In detail

Specific tax levies and income tax withholding

FICA taxes	2018	2019
Social security (SS) wage base	\$128,400	\$132,900
SS maximum – 6.2%	\$7,960.80	\$8,239.80
Medicare – 1.45%*	No ceiling	No ceiling

*See below, under 'Additional Medicare tax', for details on an increase in the Medicare tax that applies to wages and other compensation only in excess of an applicable threshold amount.

Additional Medicare tax	2018	2019
A 0.9% tax is imposed on individual wages and other compensation in excess of the following threshold amounts:	Single \$200,000 MFJ \$250,000 MFS \$125,000 HOH \$200,000	Single \$200,000 MFJ \$250,000 MFS \$125,000 HOH \$200,000

Tax on net investment income	2018	2019
A 3.8% tax is imposed on the lesser of net investment income or the excess of modified adjusted gross income over the following threshold amounts:	Single \$200,000 MFJ \$250,000 MFS \$125,000 HOH \$200,000	Single \$200,000 MFJ \$250,000 MFS \$125,000 HOH \$200,000

Supplemental withholding flat rates	2018**	2019
Supplemental wages up to \$1,000,000 (optional)*	22%	22%
Supplemental wages greater than \$1,000,000	37%	37%

*In lieu of regular tax withholding rates and available only if certain requirements are met.

**Note that for 2018, the withholding rates shown above *may not* have been used during January and up to February 15th because employers did not have to adopt these percentages until February 15, 2018.

Calculating individual taxable income

Personal exemptions (PE)	2018	2019
Personal exemption	0	0

*The personal exemption was eliminated for tax years after 2017.

Standard deduction	2018	2019
Standard deduction	Single \$12,000 MFJ \$24,000 MFS \$12,000 HOH \$18,000	Single \$12,200 MFJ \$24,400 MFS \$12,200 HOH \$18,350

*The Act eliminated the PE and put in place larger standard deductions and child tax credits for tax years after 2017.

Itemized deductions	2018	2019
<i>Deduction for state and local taxes</i> not accrued in a trade or business, or on property held for the production of income (this includes income, sales, real estate, and property taxes – foreign real property taxes are not deductible):	May not exceed \$10,000, MFS \$5,000	May not exceed \$10,000, MFS \$5,000
AGI threshold that <i>unreimbursed medical and dental expense</i> deductions must reach before a deduction is permitted for all taxpayers:	7.5%	10%

Deduction for <i>mortgage interest</i> only for qualified indebtedness up to certain amounts:	\$1M (limited to \$750,000 for 'new debt')	\$1M (limited to \$750,000 for 'new debt')
(Note that interest on home equity debt is no longer deductible after 2017 unless the home equity loan proceeds are used for acquiring, constructing, or substantially improving any qualified residence and is secured by such residence. A qualified residence is defined as the principal residence and one other property used as a residence.)		

*The Act makes various other changes to itemized deductions. For example, the overall reduction in itemized (not standard) deductions by 3% of AGI in excess of certain amounts has been repealed. Other changes were made to items including, for example, state and local taxes, employee business expenses, tax preparation fees, other 2% miscellaneous items, alimony, and moving expenses. For more information, please see prior Global Mobility [Insight](#) (December 27, 2017).

Standard mileage rates	2018	2019
Business	\$0.545	\$0.58
Charitable	\$0.14	\$0.14
Medical and moving	\$0.18	\$0.20

Section 911	2018	2019
Annual exclusion	\$103,900	\$105,900
Base housing amount	\$16,624	\$16,944
Standard qualified housing expense limit*	\$31,170	\$31,770

*Adjustments to the limitation are provided for certain countries with high housing costs. 2018 adjusted limitations are included in Notice 2018-44. See Notice 2018-57 for 2019 foreign earned income exclusion amount.

Expatriation	2018	2019
Five-year average annual net income tax in excess of the following amount:	\$165,000	\$168,000
Amount of net gain from mark-to-market tax regime includible in gross income of covered expatriate is reduced by (but not below zero):	\$711,000	\$725,000

Calculating the individual income tax due

Alternative minimum tax	2018	2019	
Alternative minimum tax (AMT) exemption amounts (subject to phase-out described in the table below):	Single	\$70,300	\$71,700
	MFJ	\$109,400	\$111,700
	MFS	\$54,700	\$55,850
	HOH	\$70,300	\$71,700

Alternative minimum tax phase-out	2018	2019
The phase-out of the AMT exemption amount begins when the alternative minimum taxable income exceeds the following amounts:	Single \$500,000 MFJ \$1,000,000 MFS \$500,000 HOH \$500,000	\$510,300 \$1,020,600 \$510,300 \$510,300

Capital gains tax	2018	2019
Long term:	15%/20%	15%/20%
Lower-income taxpayers:	0%	0%
Short term:	Ordinary rates	Ordinary rates

After 2017, the Act generally retains the 2017 maximum rates on net capital gains; however, certain so-called 'breakpoints' for determining what tax rate is used are indexed differently.

For 2018, the 20% long term capital gains tax rate applies when the lesser of adjusted net capital gain or taxable income is at least \$479,000 (MFJ), \$425,800 (single), \$239,500 (MFS), and \$452,400 (HOH) for 2018. For 2019, these amounts are \$488,850 (MFJ), \$434,550 (single), \$244,425 (MFS), and \$461,700 (HOH).

Qualified dividends	2018	2019
Qualified dividend rate:	15%/20%	15%/20%
Lower-income taxpayers:	0%	0%
Nonqualified dividends:	Ordinary rates	Ordinary rates

After 2017, the Act generally retains the 2017 maximum rates on qualified dividends; however, certain so-called 'breakpoints' for determining what tax rate is used are indexed differently.

Qualified dividend income generally is taxed at the same rates and thresholds that apply to net capital gain (see above.)

Child tax credit	2018	2019
Child tax credit (per child)*	\$2,000 (\$1,400 refundable) \$500 nonrefundable credit for dependents other than qualifying children and for qualifying children without social security numbers	\$2,000 (\$1,400 refundable) \$500 nonrefundable credit for dependents other than qualifying children and for qualifying children without social security numbers

*After 2017, the qualifying child must have a social security number by the due date of the taxpayer's return in order to claim the credit (except for \$500 nonrefundable credit, whereby dependent must have an individual taxpayer identification number (ITIN)). The credit is subject to phase-out for individuals with income over certain threshold amounts. Phase-out limitations are increased after 2017 and apply when taxpayers have modified adjusted gross income in excess of \$400,000 for married filing jointly, and \$200,000 for all others.

Healthcare Shared Responsibility Payment

The Shared Responsibility Payment for individuals is generally the greater of:*

- Flat Dollar Amount (family maximum of \$2,085 in 2018), or
- Percentage of Income above Filing Threshold (rate: 2.5% in 2018).

The maximum penalty is published each year by the [IRS](#). For 2018, the maximum is \$3,396 per year for an individual and \$16,980 per year for a family with five or more members. It is important to note that there are various exemptions, rules, and thresholds that could impact what payment is owed.

*Under the Affordable Care Act, individuals must either: (i) have qualifying health care coverage (i.e., minimum essential coverage), (ii) qualify for an exemption from this requirement, or (iii) make a Shared Responsibility Payment with their individual income tax return. Exemptions include, for example, having a short gap in coverage or being offered only coverage that costs more than a certain percentage of household income. Exemptions are also provided for nonresident aliens; US citizens or resident aliens who were physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months; and US citizens who were bona-fide residents of a foreign country or countries for an uninterrupted period which includes an entire tax year.

According to the [IRS website](#), the IRS will reject tax returns during processing in instances where the taxpayer does not provide information related to health coverage on their return.

**Under the Act, the individual mandate and shared responsibility payment requirement have been eliminated for tax years after 2018.

Other

Gift tax limits	2018	2019
Annual exclusion from total amount of taxable gifts*:	\$15,000	\$15,000
Annual exclusion for gifts to non-US citizen spouses*:	\$152,000	\$155,000

*This amount is per donor and per donee and refers to gifts that are not future interests in property.

Federal income tax rates

Married filing jointly and surviving spouses 2018

Over	Not over	Tax	% on excess
0	19,050	0	10%
19,050	77,400	1,905	12%
77,400	165,000	8,907	22%
165,000	315,000	28,179	24%
315,000	400,000	64,179	32%
400,000	600,000	91,379	35%
600,000		161,379	37%

2019

Over	Not over	Tax	% on excess
0	19,400	0	10%
19,400	78,950	1,940	12%
78,950	168,400	9,086	22%
168,400	321,450	28,765	24%
321,450	408,200	65,497	32%
408,200	612,350	93,257	35%
612,350		164,709.50	37%

Single

2018

Over	Not over	Tax	% on excess
0	9,525	0	10%
9,525	38,700	952.50	12%
38,700	82,500	4,453.50	22%
82,500	157,500	14,089.50	24%
157,500	200,000	32,089.50	32%
200,000	500,000	45,689.50	35%
500,000		150,689.50	37%

2019

Over	Not over	Tax	% on excess
0	9,700	0	10%
9,700	39,475	970	12%
39,475	84,200	4,543	22%
84,200	160,725	14,382.50	24%
160,725	204,100	32,748.50	32%
204,100	510,300	46,628.50	35%
510,300		153,798.50	37%

Married filing separately

2018

Over	Not over	Tax	% on excess
0	9,525	0	10%
9,525	38,700	952.50	12%
38,700	82,500	4,453.50	22%
82,500	157,500	14,089.50	24%
157,500	200,000	32,089.50	32%
200,000	300,000	45,689.50	35%
300,000		80,689.50	37%

2019

Over	Not over	Tax	% on excess
0	9,700	0	10%
9,700	39,475	970	12%
39,475	84,200	4,543	22%
84,200	160,725	14,382.50	24%
160,725	204,100	32,748.50	32%
204,100	306,175	46,628.50	35%
306,175		82,354.75	37%

Head of household

2018

Over	Not over	Tax	% on excess
0	13,600	0	10%
13,600	51,800	1,360	12%
51,800	82,500	5,944	22%
82,500	157,500	12,698	24%
157,500	200,000	30,698	32%
200,000	500,000	44,298	35%
500,000		149,298	37%

2019

Over	Not over	Tax	% on excess
0	13,850	0	10%
13,850	52,850	1,385	12%
52,850	84,200	6,065	22%
84,200	160,700	12,962	24%
160,700	204,100	31,322	32%
204,100	510,300	45,210	35%
510,300		152,380	37%

*2018 rate tables are provided in Rev. Proc. 2018-18; 2019 rate tables are provided by Rev. Proc. 2018-57.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your Global Mobility Services engagement team or one of the following team members:

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