Rev. Proc. 97–57

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SECTION 1. PURPOSE

This revenue procedure sets forth inflation adjusted items for 1998.

SECTION 2. CHANGES MADE FROM PRECEDING YEAR

.01 In preceding years, this revenue procedure included a detailed description of each inflation adjusted item in former section 3, a technical explanation of the authority for each inflation adjustment in former section 4 and the inflation factors used to make the inflation adjustments in former section 5. To simplify this revenue procedure, section 3 has been revised, and sections 4 and 5 have been deleted.

.02 The limitations regarding the amount of eligible long-term care premiums includible in the term "medical care" under § 213(d)(10) of the Internal Revenue Code, as enacted by section 322 of the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104–191, 110 Stat. 1936 (1996), are adjusted for inflation for tax years beginning in 1998 (section 3.09).

.03 The value of property exempt from levy under § 6334(a)(2) (fuel, certain household items, arms for personal use, livestock, and poultry) and under § 6334(a)(3) (books and tools of a trade, business, or profession), as amended by section 502 of the Taxpayer Bill of Rights 2, Pub. L. No. 104–168, 110 Stat. 1452 (1996), is adjusted for inflation for calendar year 1998 (section 3.16).

.04 The stated dollar amount of the per diem limitation under § 7702B(d)(4), as enacted by section 321 of the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104–191, 110 Stat. 1936 (1996), 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 adjusted for inflation for calendar year 1998 (section 3.18).

SECTION 3. 1998 ADJUSTED ITEMS

.01 *Tax Rate Tables*. For tax years beginning in 1998, the tax rate tables under § 1 are as follows:

TABLE 1–Section 1(a).—MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES

If Taxable Income Is:	The Tax Is:
Not Over $42,350	15% of the taxable income
Over $42,350 but not over $102,300	$6,352.50 plus 28% of the excess over $42,350
Over $102,300 but not over $155,950	$23,138.50 plus 31% of the excess over $102,300
Over $155,950 but not over $278,450	$39,770 plus 36% of the excess over $155,950
Over $278,450	$83,870 plus 39.6% of the excess over $278,450

TABLE 2 - Section 1(b).—HEADS OF HOUSEHOLDS

If Taxable Income Is:	The Tax Is:
Not Over $33,950	15% of the taxable income
Over $33,950 but not over $87,700	$5,092.50 plus 28% of the excess over $33,950
Over $87,700 but not over $142,000	$20,142.50 plus 31% of the excess over $87,700
Over $142,000 but not over $278,450	$36,975.50 plus 36% of the excess over $142,000
Over $278,450	$86,097.50 plus 39.6% of the excess over $278,450

TABLE 3–Section 1(c).—UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS)

If Taxable Income Is:	The Tax Is:
Not Over $25,350	15% of the taxable income
Over $25,350 but not over $61,400	$3,802.50 plus 28% of the excess over $25,350
Over $61,400 but not over $128,100	$13,896.50 plus 31% of the excess over $61,400
Over $128,100 but not over $278,450	$34,573.50 plus 36% of the excess over $128,100
Over $278,450	$88,699.50 plus 39.6% of the excess over $278,450

TABLE 4–Section 1(d).—MARRIED INDIVIDUALS FILING SEPARATE RETURNS

If Taxable Income Is:	The Tax Is:
Not Over $21,175	15% of the taxable income
Over $21,175 but not over $51,150	$3,176.25 plus 28% of the excess over $21,175
Over $51,150 but not over $77,975	$11,569.25 plus 31% of the excess over $51,150
Over $77,975 but not over $139,225	$19,885 plus 36% of the excess over $77,975
Over $139,225	$41,935 plus 39.6% of the excess over $139,225

TABLE 5–Section 1(e).—ESTATES AND TRUSTS

If Taxable Income Is:	The Tax Is:
Not Over $1,700	15% of the taxable income
Over $1,700 but not over $4,000	$255 plus 28% of the excess over $1,700
Over $4,000 but not over $6,100	$899 plus 31% of the excess over $4,000
Over $6,100 but not over $8,350	$1,550 plus 36% of the excess over $6,100
Over $8,350	$2,360 plus 39.6% of the excess over $8,350

.02 *Unearned Income of Minor Children Taxed as if Parent's Income (the "Kiddie Tax")*. For tax years beginning in 1998, 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 $700. (This amount is the same as the $700 standard deduction amount provided in section 3.04(2) of this revenue procedure.) In the alternative, the same $700 amount is used for purposes of § 1(g)(7) (that is, determining whether a parent may elect to include a child's gross income in the parent's gross income and for calculating the "kiddie tax").

.03 *Earned Income Tax Credit*.

(1) *In general*. For tax years beginning in 1998, the following amounts are used to determine the earned income tax 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 tax credit is allowed. The "threshold phaseout amount" is the amount of modified 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 modified adjusted gross income (or if greater, earned income) at or above which no credit is allowed.

Number of Children	*Maximum Amount of the Credit*	*Earned Income Amount*	*Threshold Phaseout Amount*	*Completed Phaseout Amount*
1	$2,271	$6,680	$12,260	$26,473
2 or more	$3,756	$9,390	$12,260	$30,095
None	$ 341	$4,460	$ 5,570	$10,030

The Internal Revenue Service, in the instructions for the Form 1040 series, provides tables showing the amount of the earned income tax credit for each type of taxpayer.

(2) *Excessive investment income*. For tax years beginning in 1998, the earned income tax credit is denied under § 32(i) if the aggregate amount of certain investment income exceeds $2,300.

.04 *Standard Deduction*.

(1) *In general*. For tax years beginning in 1998, the standard deduction amounts under § 63(c)(2) are as follows:

Filing Status	*Standard Deduction*
MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES (§ 1(a))	$7,100
HEADS OF HOUSEHOLDS (§ 1(b))	$6,250
UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS) (§ 1(c))	$4,250
MARRIED INDIVIDUALS FILING SEPARATE RETURNS (§ 1(d))	$3,550

(2) *Dependent*. For tax years beginning in 1998, the standard deduction amount under § 63(c)(5) for an individual who may be claimed as a dependent by

another taxpayer may not exceed the greater of $700, or the sum of $250 and the individual's earned income.

(3) *Aged and blind*. For tax years beginning in 1998, the additional standard deduction amounts under § 63(f) for the aged and for the blind are $850 for each. These amounts are increased to $1,050 if the individual is also unmarried and not a surviving spouse.

.05 *Overall Limitation on Itemized Deductions*. For tax years beginning in 1998, the "applicable amount" of adjusted gross income under § 68(b), above which the amount of otherwise allowable itemized deductions is reduced under § 68, is $124,500 (or $62,250 for a separate return filed by a married individual).

.06 *Qualified Transportation Fringe*. For tax years beginning in 1998, 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 $65. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is $175.

.07 *Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses*. For tax years beginning in 1998, 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 $78,350 for joint returns and $52,250 for other returns. This exclusion completely phases out for modified adjusted gross income of $108,350 or more for joint returns and $67,250 or more for other returns.

.08 *Personal Exemption*.

(1) *Exemption amount*. For tax years beginning in 1998, the personal exemption amount under § 151(d) is $2,700.

(2) *Phaseout*. For tax years beginning in 1998, the personal exemption amount begins to phase out at, and is completely phased out after, the following adjusted gross income amounts:

Filing Status	*Threshold Phaseout Amount*	*Completed Phaseout Amount After*
Code § 1(a)	$186,800	$309,300
Code § 1(b	$155,650	$278,150
Code § 1(c)	$124,500	$247,000
Code § 1(d)	$ 93,400	$154,650

.09 Eligible Long-Term Care Premiums. For tax years beginning in 1998, the limitations under § 213(d), regarding eligible long- term care premiums includible in the term "medical care," are as follows:

Attained age before the close of the taxable year:	
40 or less	$ 210
More than 40 but not more than 50	$ 380
More than 50 but not more than 60	$ 770
More than 60 but not more than 70	$2,050
More than 70	$2,570

.10 *Treatment of Dues Paid to Agricultural or Horticultural Organizations*. For tax years beginning in 1998, 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 $109.

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

(1) *Low cost article*. For tax years beginning in 1998, the unrelated business income of certain exempt organizations under § 513(h)(2) does not include a "low cost article" of $7.10 or less.

(2) *Other insubstantial benefits*. For tax years beginning in 1998, the $5, $25, and $50 guidelines in section 3 of Rev. Proc. 90-12, 1990-1 C.B. 471 (as amplified and modified), for disregarding the value of insubstantial benefits received by a donor in return for a fully deductible charitable contribution under § 170, are $7.10, $35.50, and $71, respectively.

12 *Expatriation to Avoid Tax*. For calendar year 1998, the thresholds used under § 877(a)(2), regarding whether an individual's loss of United States citizenship had the avoidance of United States taxes as one of its principal purposes, are more than $109,000 for "average annual net income tax" and $543,000 or more for "net worth."

.13 *Luxury Automobile Excise Tax*. For calendar year 1998, the excise tax under §§ 4001 and 4003 is imposed on the first retail sale of a passenger vehicle (including certain parts or accessories installed within six months of the date after the vehicle was first placed in service), to the extent the price exceeds $36,000.

.14 *Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures*. For tax years beginning in 1998, the annual per person, family, or entity dues limitation to qualify for the reporting exception under § 6033(e)(3) (and section 4.02 of Rev. Proc. 95–35, 1995–2 C.B. 391), regarding certain exempt organizations with nondeductible lobbying expenditures, is $55 or less.

.15 *Notice of Large Gifts Received from Foreign Persons*. For tax years beginning in 1998, recipients of gifts from certain foreign persons may have to report these gifts under § 6039F if the aggregate value of gifts received in a taxable year exceeds $10,557.

.16 *Property Exempt from Levy*. For calendar year 1998, 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) may not exceed $2,570. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) may not exceed $1,280.

.17 *Attorney Fee Awards*. For calendar year 1998, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is $120 per hour.

.18 *Periodic Payments Received under Qualified Long-Term Care Insurance Contracts or under Certain Life Insurance Contracts*. For calendar year 1998, 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 $180.

SECTION 4. EFFECTIVE DATE

.01 *General Rule*. Except as provided in section 4.02, this revenue procedure applies to tax years beginning in 1998.

.02 *Calendar Year Rule*. This revenue procedure applies to transactions or events occurring in calendar year 1998 for purposes of section 3.12 (the expatriation tax), section 3.13 (the excise tax on luxury automobiles), section 3.16 (the value of certain property exempt from levy), section 3.17 (the hourly limit on attorney fee awards), and section 3.18 (the per diem limitation for periodic payments received under qualified long-term care insurance contracts).

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is John Moran of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Mr. Moran on (202) 622-4940 (not a toll-free call).

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26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also Part I, sections 62, 162, 274, 1016; 1.62–2, 1.162–17, 1.274–5T, 1.274(d)–1, 1.1016–3.)