¶210 Personal and Dependency Exemptions

NEW LAW EXPLAINED

Suspension of personal exemption deduction.—The deduction for personal and dependency exemptions by an individual taxpayer is temporarily repealed for tax years beginning after December 31, 2017, and before January 1, 2026 (Code Sec. 151(d)(5), as added by the Tax Cuts and Jobs).

Filing threshold. The rules for determining who is required to file a tax return for tax years beginning after December 31, 2017, and before January 1, 2026, are modified (Code Sec. 6012(f), as added by the 2017 Tax Cuts Act). With respect to an individual who is not married (single or head of household), the individual is required to file a tax return if the individual's gross income for the tax year exceeds the applicable standard deduction. Married individuals reach the filing threshold if that individual's gross income, when combined with the individual's spouse's gross income for the tax year, is more than the standard deduction applicable to a joint return, and provided that:

- the individual and his or her spouse, at the close of the tax year, had the same household as their home;
- the individual's spouse does not file a separate return; and
- neither the individual nor his or her spouse is a dependent of another taxpayer who has income (other than earned income) in excess of the amount provided under Code Sec. 63(c)(5)(A) ($1,050 for 2018, as indexed for inflation).

Qualified disability trusts. The annual amount a qualified disability trust is allowed to deduct for tax years beginning after December 31, 2017, and before January 1, 2026, is modified (Code Sec. 642(b)(2)(C)(iii), as added by the 2017 Tax Cuts Act). For those tax years, when the personal exemption is zero, the annual deduction is $4,150, indexed for inflation after 2018.

Withholding requirements. The deduction for personal exemptions, as applied for withholding purposes, is suspended, applicable to tax years beginning after December 31, 2017, and before January 1, 2026 (Code Sec. 3402(a)(2), as amended by the 2017 Tax Cuts Act; Act Sec. 11041(f)(2) of the 2017 Tax Cuts Act). The IRS may administer the withholding rules under Code Sec. 3402 for tax years beginning before January 1, 2019, without regard to the suspension of the personal exemptions (now referred to as "allowances"). In other words, at the IRS's discretion, wage withholding rules might remain the same as under present law for 2018. The 2018 annual personal exemption amount, under prior law, was scheduled to increase to $4,150, and the IRS has stated that it will issue withholding tables to be implemented by February 2018. The withholding provision will apply to tax years beginning before 2019, and its implementation is authorized pursuant to Code Sec. 3402 (Act Sec. 11041(f)(2) of the 2017 Tax Cuts Act).

Levies. The amount exempted from an IRS levy on an individual's wages or salary for personal services for tax years beginning after December 31, 2017, and before January 1, 2026, is altered (Code Sec. 6334(d)(4), as added by the 2017 Tax Cuts Act). For those years, when the personal exemption is zero, the levy exemption is equal to the sum of the standard deduction and the total of $4,150 multiplied by the number of the individual's dependents for the tax year in which the levy occurs, divided by the number of times the taxpayer is paid, except for the first 15 percent. The $4,150 amount is indexed annually for inflation after 2018.

Effective date. The amendments made by this section apply to tax years beginning after December 31, 2017 (Act Sec. 11041(f) of the Tax Cuts and Jobs Act).