

## **2009 Inflation Adjustments Widen Tax Brackets and Expand Tax Benefits**

WASHINGTON – For 2009, personal exemptions and standard deductions will rise and tax brackets will widen because of inflation adjustments announced today by the Internal Revenue Service.

By law, the dollar amounts for a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being adjusted for 2009. Key changes affecting 2009 returns, filed by most taxpayers in early 2010, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, is \$3,650, up \$150 from 2008.
- The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250) and \$8,350 for heads of household (up \$350). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$67,900, up from \$65,100 in 2008.
- The maximum earned income tax credit for low and moderate income workers and working families with two or more children is \$5,028, up from \$4,824. The income limit for the credit for joint return filers with two or more children is \$43,415, up from \$41,646.
- The annual gift exclusion rises to \$13,000, up from \$12,000 in 2008.

Information about the pension and retirement plan-related changes can be found in IR-2008-118. Other inflation adjustments are described in Revenue Procedure 2008-66.