

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 32, 59, 63, 68, 132, 135, 151, 170, 213, 220, 512, 513, 685, 877, 2032A, 2503, 2523, 2631, 4001, 4003, 4261, 6033, 6039F, 6323, 6334, 6601, 7430, 7702B)

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#### SECTION 1. PURPOSE

This revenue procedure sets forth inflation adjusted items for 2000.

#### SECTION 2. CHANGES MADE FROM PRECEDING YEAR

.01 The limitations in § 132(f) on the exclusion from gross income for qualified transportation fringes, as amended by section 9010(b) of the Transportation Equity Act for the 21st Century, Pub. L. 105-178, 112 Stat. 107 (1998), are adjusted for inflation for tax years beginning in 2000 (section 3.07).

.02 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) and under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer), as amended by section 3431 of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (1998), are adjusted for inflation for tax years beginning in 2000 (section 3.24).

#### SECTION 3. 2000 ADJUSTED ITEMS

.01 Tax Rate Tables. For tax years beginning in 2000, 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 \$43,850	15% of the taxable income
Over \$43,850 but not over \$105,950	\$6,577.50 plus 28% of the excess over \$43,850
Over \$105,950 but not over \$161,450	\$23,965.50 plus 31% of the excess over \$105,950
Over \$161,450 but not over \$288,350	\$41,170.50 plus 36% of the excess over \$161,450
Over \$288,350	\$86,854.50 plus 39.6% of the excess over \$288,350

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

If Taxable Income Is:	The Tax Is:
Not Over \$35,150	15% of the taxable income
Over \$35,150 but not over \$90,800	\$5,272.50 plus 28% of the excess over \$35,150
Over \$90,800 but not over \$147,050	\$20,854.50 plus 31% of the excess over \$90,800
Over \$147,050 but not over \$288,350	\$38,292 plus 36% of the excess over \$147,050
Over \$288,350	\$89,160 plus 39.6% of the excess over \$288,350

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

If Taxable Income Is:	The Tax Is:
Not Over \$26,250	15% of the taxable income

Over \$26,250 but not over \$63,550	\$3,937.50 plus 28% of the excess over \$26,250
Over \$63,550 but not over \$132,600	\$14,381.50 plus 31% of the excess over \$63,550
Over \$132,600 but not over \$288,350	\$35,787 plus 36% of the excess over \$132,600
Over \$288,350	\$91,857 plus 39.6% of the excess over \$288,350

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

If Taxable Income Is:	The Tax Is:
Not Over \$21,925	15% of the taxable income
Over \$21,925 but not over \$52,975	\$3,288.75 plus 28% of the excess over \$21,925
Over \$52,975 but not over \$80,725	\$11,982.75 plus 31% of the excess over \$52,975
Over \$80,725 but not over \$144,175	\$20,585.25 plus 36% of the excess over \$80,725
Over \$144,175	\$43,427.25 plus 39.6% of the excess over \$144,175

TABLE 5 - Section 1(e). -- ESTATES AND TRUSTS

If Taxable Income Is:	The Tax Is:
Not Over \$1,750	15% of the taxable income
Over \$1,750 but not over \$4,150	\$262.50 plus 28% of the excess over \$1,750
Over \$4,150 but not over \$6,300	\$934.50 plus 31% of the excess over \$4,150
Over \$6,300 but not over \$8,650	\$1,601 plus 36% of the excess over \$6,300
Over \$8,650	\$2,447 plus 39.6% of the excess over \$8,650

.02 Unearned Income of Minor Children Taxed as if Parent's Income (the "Kiddie Tax"). For tax years beginning in 2000, 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 3.05(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 Credit.

(1) In general. For tax years beginning in 2000, the following amounts are used to determine the earned income 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 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.

<u>Number of Children</u>	<u>Maximum Amount of the Credit</u>	<u>Earned Income Amount</u>	<u>Threshold Phaseout Amount</u>	<u>Completed Phaseout Amount</u>
1	\$2,353	\$6,920	\$12,690	\$27,413
2 or more	\$3,888	\$9,720	\$12,690	\$31,152
None	\$ 353	\$4,610	\$ 5,770	\$10,380

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

(2) Excessive investment income. For tax years beginning in 2000, the earned income credit is denied under § 32(i) if the aggregate amount of certain investment income exceeds \$2,400.

.04 Alternative Minimum Tax Exemption for a Child Subject to the "Kiddie Tax." For tax years beginning in 2000, in the case of a child to whom the § 1(g) "kiddie tax" applies, the exemption amount under § 55 and § 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (A) such child's earned income for the taxable year, plus (B) \$5,200.

.05 Standard Deduction.

(1) In general. For tax years beginning in 2000, the standard deduction amounts under § 63(c)(2) are as follows:

<u>Filing Status</u>	<u>Standard Deduction</u>
MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES (§ 1(a))	\$7,350
HEADS OF HOUSEHOLDS (§ 1(b))	\$6,450
UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS) (§ 1(c))	\$4,400
MARRIED INDIVIDUALS FILING SEPARATE RETURNS (§ 1(d))	\$3,675

(2) Dependent. For tax years beginning in 2000, 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 2000, the additional standard deduction amounts under § 63(f) for the aged and for the blind are \$850 for each. These amounts are increased to \$1,100 if the individual is also unmarried and not a surviving spouse.

.06 Overall Limitation on Itemized Deductions. For tax years beginning in 2000, the "applicable amount" of adjusted gross income under § 68(b), above which the amount of otherwise allowable itemized deductions is reduced under § 68, is \$128,950 (or \$64,475 for a separate return filed by a married individual).

.07 Qualified Transportation Fringe. For tax years beginning in 2000, 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.

.08 Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses. For tax years beginning in 2000, 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 \$81,100 for joint returns and \$54,100 for other returns. This exclusion completely phases out for modified adjusted gross income of \$111,100 or more for joint returns and \$69,100 or more for other returns.

.09 Personal Exemption.

(1) Exemption amount. For tax years beginning in 2000, the personal exemption amount under § 151(d) is \$2,800.

(2) Phaseout. For tax years beginning in 2000, the personal exemption amount begins to phase out at, and is completely phased out after, the following adjusted gross income amounts:

<u>Filing Status</u>	<u>Threshold Phaseout Amount</u>	<u>Completed Phaseout Amount After</u>
Code § 1(a)	\$193,400	\$315,900
Code § 1(b)	\$161,150	\$283,650
Code § 1(c)	\$128,950	\$251,450
Code § 1(d)	\$ 96,700	\$157,950

.10 Eligible Long-Term Care Premiums. For tax years beginning in 2000, 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.....	\$ 220
More than 40 but not more than 50.....	\$ 410
More than 50 but not more than 60.....	\$ 820
More than 60 but not more than 70.....	\$2,200
More than 70.....	\$2,750

.11 Medical Savings Accounts.

(1) Self-only coverage. For tax years beginning in 2000, the term "high deductible health plan" as defined in § 220(c)(2)(A) means, in the case of self-only coverage, a health plan which has an annual deductible that is not less than \$1,550 and not more than \$2,350, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits does not exceed \$3,100.

(2) Family coverage. For tax years beginning in 2000, the term "high deductible health plan" means, in the case of family coverage, a health plan which has an annual deductible that is not less than \$3,100 and not more than \$4,650, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits does not exceed \$5,700.

.12 Treatment of Dues Paid to Agricultural or Horticultural Organizations. For tax years beginning in 2000, 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 \$112.

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

(1) Low cost article. For tax years beginning in 2000, the unrelated business income of certain exempt organizations under § 513(h)(2) does not include a "low cost article" of \$7.40 or less.

(2) Other insubstantial benefits. For tax years beginning in 2000, 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 \$7.40, \$37, and \$74, respectively.

.14 Funeral Trusts. For a contract entered into during calendar year 2000 for a "qualified funeral trust," as defined in § 685, the trust may not accept aggregate contributions by or for the benefit of an individual in excess of \$7,200.

.15 Expatriation to Avoid Tax. For calendar year 2000, 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 \$112,000 for "average annual net income tax" and \$562,000 or more for "net worth."

.16 Valuation of Qualified Real Property in Decedent's Gross Estate. For an estate of a decedent dying in calendar year 2000, if the executor elects to use the special use valuation method under § 2032A for qualified real property, the aggregate decrease in the value of qualified real property resulting from electing to use § 2032A that is taken into account for purposes of the estate tax may not exceed \$770,000.

.17 Annual Exclusion for Gifts.

(1) For calendar year 2000, the first \$10,000 of gifts to any person (other than gifts of future interests in property) are not included in the total amount of taxable gifts under § 2503 made during that year.

(2) For calendar year 2000, the first \$103,000 of gifts to a spouse who is not a citizen of the United States (other than gifts of future interests in property) are not included in the total amount of taxable gifts under §§ 2503 and 2523(i)(2) made during that year.

.18 Generation-Skipping Transfer Tax Exemption. For calendar year 2000, the generation-skipping transfer tax exemption under § 2631, which is allowed in determining the "inclusion ratio" defined in § 2642, is \$1,030,000.

.19 Luxury Automobile Excise Tax. For calendar year 2000, 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 \$38,000.

.20 Passenger Air Transportation Excise Tax. For calendar year 2000, the tax under § 4261(c) on any amount paid (whether within or without the United States) for any transportation of any person by air, if such transportation begins or ends in the United States, generally is \$12.40. However, in the case of a domestic segment beginning or ending in Alaska or Hawaii as described in § 4261(c)(3), the tax only applies to departures and is at the rate of \$6.20.

.21 Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures. For tax years beginning in 2000, the annual per person, family, or entity dues limitation to qualify for the reporting exception under § 6033(e)(3) (and section 5.05 of Rev. Proc. 98-19, 1998-7 I.R.B. 30), regarding certain exempt organizations with nondeductible lobbying expenditures, is \$78 or less.

.22 Notice of Large Gifts Received from Foreign Persons. For tax years beginning in 2000, 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 \$10,931.

.23 Persons against Which a Federal Tax Lien is Not Valid. For calendar year 2000, a federal tax lien is not valid against (1) certain purchasers under § 6323(b)(4) that purchased personal property in a casual sale for less than \$1,060, or (2) a mechanic's lienor under § 6323(b)(7) that repaired or improved certain residential property if the contract price with the owner is not more than \$5,320.

.24 Property Exempt from Levy. For calendar year 2000, 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 \$6,360. 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 \$3,180.

.25 Interest on a Certain Portion of the Estate Tax Payable in Installments. For an estate of a decedent dying in calendar year 2000, the dollar amount used to determine

the "2-percent portion" (for purposes of calculating interest under § 6601(j)) of the estate tax payable in installments under § 6166 is \$1,030,000.

.26 Attorney Fee Awards. For fees incurred in calendar year 2000, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$140 per hour.

.27 Periodic Payments Received under Qualified Long-Term Care Insurance Contracts or under Certain Life Insurance Contracts. For calendar year 2000, 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 \$190.

#### SECTION 4. EFFECTIVE DATE

.01 General Rule. Except as provided in section 4.02, this revenue procedure applies to tax years beginning in 2000.

.02 Calendar Year Rule. This revenue procedure applies to transactions or events occurring in calendar year 2000 for purposes of section 3.14 (funeral trusts), section 3.15 (expatriation to avoid tax), section 3.16 (valuation of qualified real property in decedent's gross estate), section 3.17 (annual exclusion for gifts), section 3.18 (generation-skipping transfer tax exemption), section 3.19 (luxury automobile excise tax), section 3.20 (passenger air transportation excise tax), section 3.23 (persons against which a federal tax lien is not valid), section 3.24 (property exempt from levy), section 3.25 (interest on a certain portion of the estate tax payable in installments),

section 3.26 (attorney fee awards), and section 3.27 (periodic payments received under qualified long-term care insurance contracts or under certain life 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).