



News Release

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2007 Inflation Adjustments Widen Tax Brackets, Expand Tax Benefits

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WASHINGTON — Personal exemptions and standard deductions will rise, tax brackets will widen and income limits for IRAs will increase in 2007, thanks to 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 2007. Key changes affecting 2007 returns, filed by most taxpayers in early 2008, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, will be \$3,400, up \$100 from 2006.
- The new standard deduction will be \$10,700 for married couples filing a joint return (up \$400), \$5,350 for singles and married individuals filing separately (up \$200) and \$7,850 for heads of household (up \$300). 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 will 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 will be \$63,700, up from \$61,300 in 2006.

In 2007, for the first time, inflation adjustments will raise the income limits that apply to the retirement savings contributions credit, contributions to a Roth IRA and deductible contributions to a traditional IRA where the taxpayer or the taxpayer's spouse is covered by a retirement plan at work.

Revenue Procedure 2006-53, containing a complete rundown of inflation adjustments, is posted on the IRS Web site and will appear in Internal Revenue Bulletin 2006-48, dated Nov. 27, 2006.