Revenue Procedure 92-102

Rev. Proc. 92-102; 1992-2 C.B. 579; 1992-52 I.R.B. 20

July 1992

[*1]

APPLICABLE SECTIONS:

26 CFR 601.602: Tax forms and instructions. (Also Part I, Sections 1, 32, 63. 68, 135, 151, 170, 513, 6012, 6013; 1. 1-1, 1.43-2, 1.63-1, 1.151-4, 1.170-1, 1.6012-1, 1.6013-1)

TEXT:

SECTION 1. PURPOSE

This revenue procedure sets forth the following inflation adjusted items for tax years beginning in 1993:

1. the tax rate tables for individuals and for estates and trusts;

2. the basic standard deduction amounts for different filing statuses, the limitation on the standard deduction in the case of certain dependents, and the additional standard deduction amounts for the aged and for the blind;

3. the personal exemption and the phaseout of the tax benefit of personal exemptions;

4. the earned income credit;

5. the amounts allowed against unearned income in computing the "kiddie tax," which taxes a minor child's net unearned income at the marginal rate that applies to the income of the child's parent;

6. the limitations on the exclusion of income from the redemption of United States savings bonds for taxpayers who pay qualified higher education expenses;

7. the overall limitation on itemized deductions; and

8. the [*2] insubstantial benefit limitations for contributions associated with charitable fund raising campaigns.

SEC. 2. 1993 TAX RATE TABLES

The following adjusted tax rate tables are prescribed in lieu of the tables in subsections (a), (b), (c), (d), and (e) of section 1 of the Code with respect to tax years beginning in 1993.

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

If Taxable Income Is:	The Tax Is:

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If Taxable Income Is:	The Tax Is:
Not Over $36,900	15% of the taxable income
Over $36,900, but not over $89,150	$5,535 plus 28% of the excess over $36,900
Over $89,150	$20,165 plus 31% of the excess over $89,150

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

If Taxable Income Is:	The Tax Is:
Not Over $29,600	15% of the taxable income
Over $29,600 but not over $76,400	$4,440 plus 28% of the excess over $29,600
Over $76,400	$17,544 plus 31% of the excess over $76,400

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

If Taxable Income Is:	The Tax Is:
Not Over $22,100	15% of the taxable income
Over $22,100 but not over $53,500	$3,315 plus 28% of the excess over $22,100
Over $53,500	$12,107 plus 31% of the excess over $53,500

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

If Taxable Income Is:	The Tax Is:
Not Over $18,450	15% of the taxable income
Over $18,450 but not over $44,575	$2,767.50 plus 28% of the excess over $18,450
Over $44,575	$10,082.50 plus 31% of the excess over $44,575

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

If Taxable Income Is:	The Tax Is:
Not Over $3,750	15% of the taxable income
Over $3,750 but not over $11,500	$3,315 plus 28% of the excess over $22,100
Over $53,500	$12,107 plus 31% of the excess over $53,500

SEC. 3. 1993 STANDARD DEDUCTION

.01 The [*3] following adjusted standard deduction amounts are prescribed in lieu of the amounts set forth in section 63 (c) (2) of the Code with respect to tax years beginning in 1993.

Filing Status	*Standard Deduction*
MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES	$6,200

Filing Status	*Standard Deduction*
HEADS OF HOUSEHOLDS	$5,450
UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS)	$3,700
MARRIED INDIVIDUALS FILING A SEPARATE RETURN	$3,100

.02 Under section 63 (c) (5) of the Code, the standard deduction for an individual who may be claimed as a dependent by another taxpayer for a tax year beginning in the calendar year in which the individual's tax year begins cannot exceed the greater of (A) $600 or (B) the amount of the individual's earned income.

.03 The additional standard deduction amounts for the aged and for the blind allowed under section 63 (f) of the Code for tax years beginning in 1993 are $700 for each. These amounts are each increased to $900 if the individual is also unmarried and not a surviving spouse.

SEC. 4. 1993 PERSONAL EXEMPTION

.01 Section 151 (b) of the Code generally allows a taxpayer an exemption for himself or herself. Section 151 (c) generally allows a taxpayer additional exemptions [*4] for dependents as defined in section 152. The personal exemption for tax years beginning in 1993 is $2,350.

.02 Section 151 (d) (3) of the Code provides for the phaseout of the tax benefit of the personal exemptions allowed by section 151. For 1993 the "threshold amounts" of adjusted gross income above which that phase-out begins, and the amounts above which the benefit is completely phased out are as follows:

Type of Taxpayer	*Phaseout Begins After*	*Phaseout Completed After*
Code section 1 (a)	$162,700	$285,200
Code section 1 (b)	$135,600	$258,100
Code section 1 (c)	$108,450	$230,950
Code section 1 (d)	$ 81,350	$142,600

SEC. 5. 1993 EARNED INCOME CREDIT

.01 Section 32 of the Code provides a "basic earned income credit" which for 1993 is allowed at a rate of 18.5 percent for a taxpayer with one qualifying child and 19.5 percent for a taxpayer with two or more qualifying children. This credit may be increased by a "supplemental young child credit" which is allowed at a rate of 5 percent for a taxpayer with a qualifying child who has not attained age 1 as of the close of the calendar year. In addition, a "health insurance credit" is allowed at a rate of 6 percent for certain health insurance expenses.

.02 For [*5] tax years beginning in 1993, these credits will be allowed on the first $7,750 of earned income. These credits will be phased out if the taxpayer's adjusted gross income (or, if greater, earned income) exceeds $12,200.

.03 For tax years beginning in 1993, the maximum basic earned income credit will be $1,434 [.185 x $7,750] for a taxpayer with one qualifying child and $1,511 [.195 x $7,750] for a taxpayer with two or more qualifying children. The credit phases out at a rate of13.21 percent for a taxpayer with one qualifying child and 13.93 percent for a taxpayer with two or more qualifying children.

.04 For tax years beginning in 1993, the maximum supplemental young child credit will be $388 [.05 x $7,750]. The credit phases out at a rate of 3.57 percent.

.05 For tax years beginning in 1993 the maximum health insurance credit will be $465 [.06 x $7,750]. The credit phases out at a rate of 4.285 percent.

.06 The Internal Revenue Service will prescribe tables showing the amount of the basic earned income credit, the supplemental young child credit, and the health insurance credit. The tables will phase out the credits completely at $23,050 of adjusted gross income, or earned income, as the case [*6] may be.

SEC. 6. UNEARNED INCOME OF MINOR CHILDREN TAXED AS IF PARENT'S INCOME (THE "KIDDIE TAX")

.01 Section 1 (g) of the Code provides that the tax on the net unearned income of a child under the age of 14 is computed at the marginal rate of the child's parent. Under section 1 (g) (4) (A) (ii) net unearned income generally equals unearned income less the sum of (I) the amount in effect for the tax year under section 63 (c) (5) (A), plus (II) the greater of the amount described in (I) or certain itemized deductions.

.02 The amount in effect for 1993 under section 63 (c) (5) (A) is $600. See section 3.02. Accordingly, for tax years beginning in 1993 net unearned income will generally equal unearned income less the greater of $1,200 or $600 plus certain itemized deductions.

SEC. 7. INCOME FROM UNITED STATES SAVINGS BONDS FOR TAXPAYERS WHO PAY QUALIFIED HIGHER EDUCATION EXPENSES

.01 , Section 135 of the Code provides an exclusion of income from the redemption of United States savings bonds for taxpayers who pay qualified higher education expenses. Section 135 (b) (2) provides for the phaseout of the exclusion. The amount of the reduction in the exclusion caused by the phaseout is calculated by [*7] multiplying the amount otherwise excludable by a fraction. The numerator of the fraction is the excess of the taxpayer's modified adjusted gross income over the threshold amount ($68,250 for joint returns or $45,500 for others) and the denominator is $30,000 for joint returns or $15,000 for others.

.02 For tax years beginning in 1993, the amounts of modified adjusted gross income above which the phaseout of the exclusion begins, and the amounts at which the benefit is completely phased out are as follows:

Type of Taxpayer	*Phaseout Begins After*	*Phaseout Completed At*
Code section1 (a)	$68,250	$98,250
Others	$45,500	$60,500

SEC. 8. OVERALL LIMITATION ON ITEMIZED DEDUCTIONS

.01 Section 68 of the Code provides that the amount of itemized deductions otherwise allowable for the tax year shall be reduced by the lesser of (1) 3 percent of the excess of adjusted gross income over the "applicable amount," or (2) 80 percent of the amount of certain itemized deductions otherwise allowable for the tax year.

.02 The "applicable amount" for tax years beginning in 1993 is $108,450 ($54,225 in the case of a separate return by a married individual within the meaning of section 7703 of the Code).

SEC. 9. INSUBSTANTIAL BENEFIT LIMITATIONS FOR CONTRIBUTIONS ASSOCIATED WITH CHARITABLE FUND-RAISING CAMPAIGNS

.01 Section 513 (h) (1) (A) of the Code [*8] provides that, in the case of certain exempt organizations, the term "unrelated business income" does not include activities relating to the distribution of "low cost articles" (as defined in section 513 (h) (2)) if the distribution of such articles is incidental to the solicitation of charitable contributions.

.02 Section 3 of Rev. Proc. 90-12, 1990-1 C.B. 471, as amplified by Rev. Proc. 92-49, 1992-1 C.B. 987, provides guidelines for determining the deductible amount of contributions under section 170 of the Code when the contributors receive something in return for their contributions. The guidelines provide that insubstantial benefits received by the contributor (in the context of a charitable fundraising campaign) are disregarded, which makes the contribution fully deductible under section 170. The guidelines further provide the following three alternative limitations on what are insubstantial benefits:

(1) The fair market value of all the benefits received is not more than 2-percent of the contribution, or $50 (the "$50 benefit" limitation), whichever is less;

(2) The contribution is $25 (the "$25 payment" limitation) or more, and the only benefits received by the donor in return during [*9] the calendar year have a cost, in the aggregate, of not more than a "low cost article" under section 513 (h) (2) of the Code; or

(3) In connection with a request for a charitable contribution, the charity mails or otherwise distributes free, unordered items to patrons, and the cost of such items (in the aggregate) distributed to any single patron in a calendar year is not more than a "low cost article" under section 513 (h) (2) of the Code.

.03 For tax years beginning in 1993, the "$50 benefit" limitation is $62, the "$25 payment" limitation is $31, and the "low cost article" limitation is $6.20.

SEC. 10. COMPUTATION OF INFLATION ADJUSTMENTS

.01 Section 1 (f) (1) of the Code provides that not later than December 15 of each calendar year, the Secretary shall prescribe inflation-adjusted tax rate tables that apply in lieu of the tax rate tables in section 1 with respect to tax years beginning in the succeeding calendar year.

Under section 1 (f) (3) of the Code, the inflation adjustment for a calendar year is the percentage (if any) by which the Consumer Price Index (CPI) for the preceding calendar year exceeds the CPI for the calendar year 1989. For purposes of computing the inflation adjustment, [*10] section 1 (f) (4) defines the CPI as the average of the 12 monthly CPIs for the 12-month period ending on August 31 of such calendar year. Under section 1 (f) (5), the CPI is that for all-urban consumers published by the Department of Labor.

Section 1 (f) (2) (A) of the Code provides that the inflation adjustment is reflected in the tax rate tables by increasing the minimum and maximum amounts subject to the 15%, 28%, and 31% tax brackets. Under section 1 (f) (6), an adjusted bracket amount is "rounded down" to the nearest multiple of $50 ($25 in the case of married individuals filing separately).

.02 Under section 63 (c) (4) of the Code, the standard deduction amounts (including the limitation for certain dependents and the additional standard deduction amounts for the aged and for the blind) are adjusted for inflation under the method described in section 1 (f) (3), except that the preceding calendar year's CPI is compared with the CPI for the calendar year 1987. Under section 1 (f) (6), an adjusted amount is "rounded down" to the nearest multiple of $50 ($25 in the case of married individuals filing separately).

.03 Section 151 (d) (4) (A) of the Code provides that the personal exemption [*11] amount is adjusted for inflation under the method described in section 1

(f) (3), except that the preceding calendar year's CPI is compared with the CPI for the calendar year 1988. The adjusted exemption is "rounded down" to the nearest multiple of $50 under section 1 (f) (6).

Section 151 (d) (4) (B) of the Code provides that the "threshold amounts" at which the phaseout of the tax benefit of the personal exemptions begins are adjusted for inflation under the method described in section 1 (f) (3), except that the preceding calendar year's CPI is compared with the CPI for the calendar year 1990. Under section 1 (f) (6), an adjusted "threshold amount" is "rounded down" to the nearest multiple of $50 ($25 in the case of married individuals filing separately).

.04 Section 32 (i) of the Code provides that the dollar amounts of the limitations applicable to the earned income credit are adjusted for inflation under the method described in section 1 (f) (3) except that the preceding calendar year's CPI is compared with the CPI for the calendar year 1984. Under section 32 (i) (3), an adjusted amount is rounded to the nearest multiple of $10 (or, if the adjusted amount is a multiple of $5, it is [*12] increased to the next highest multiple of $10).

.05 Section 135 (b) (2) (B) of the Code provides that the dollar amount at which the phaseout of the exclusion (of income from the redemption of United States savings bonds for taxpayers who pay qualified higher education expenses) begins is adjusted for inflation under the method described in section 1 (f) (3). The preceding calendar year's CPI is compared with the CPI for the calendar year 1989. The adjusted dollar amount is rounded to the nearest multiple of $50 (if the adjusted figure is a multiple of $25, it is increased to the next highest multiple of $50) under section 135 (b) (2) (C).

.06 Section 68 (b) (2) of the Code provides that the "applicable amount" for the overall limitation on itemized deductions is adjusted for inflation under the method described in section 1 (f) (3), except that the preceding calendar year's CPI is compared with the CPI for the calendar year 1990. Under section 1 (f) (6), the adjusted "applicable amount" is "rounded down" to the nearest multiple of $50 ($25 in the case of married individuals filing separately).

.07 Section 513 (h) (2) (C) of the Code provides that the maximum cost of a "low cost article" [*13] is adjusted for inflation under the method described in section 1 (f) (3), except that the preceding calendar year's CPI is compared with the CPI for the calendar year 1987.

Rev. Proc. 90-12 provides for the adjustment of the "low cost article" and the "$25 payment" limitations in that revenue procedure as provided under section 513 (h) (2) (C) of the Code. The "$50 benefit" limitation in that revenue procedure is adjusted in the same manner.

SEC. 11. INFLATION ADJUSTMENT FACTORS (GROUPED AND LISTED BY BASE YEARS)

.01 1990 base year adjustments- The CPI for 1992 is 138.9250000000 and the CPI for 1990 is 128.0583333333. This results in an inflation adjustment factor of 1.0848571614. This factor applies to the phaseout of personal exemptions and the limitation on itemized deductions for tax years beginning in 1993.

.02 1989 base year adjustments- The CPI for 1992 is 138.9250000000 and the CPI for 1989 is 122.1500000000. This results in an inflation adjustment factor of 1.1373311502. This factor applies to the tax rate tables and the qualified higher education expense exclusion for tax years beginning in 1993.

.03 1988 base year adjustments- The CPI for 1992 is 138.9250000000 and the CPI for [*14] 1988 is 116.6166666667. This results in an inflation adjustment factor of 1.1912962698. This factor applies to the personal exemption for tax years beginning in 1993.

.04 1987 base year adjustments- The CPI for 1992 is 138.9250000000 and the CPI for 1987 is 111.9833333333. This results in an inflation adjustment factor of 1:2405863968. This factor applies to the standard deduction amounts and the insubstantial benefit limitations for contributions for tax years beginning in 1993.

.05 1984 base year adjustments- The CPI for 1992 is 138.9250000000 and the CPI for 1984 is 102.4916666667. This results in an inflation adjustment factor of 1.3554760550. This factor applies to the earned income credit for tax years beginning in 1993.

SEC. 12. EFFECT ON OTHER REVENUE PROCEDURE

Rev. Proc. 90-12, as amplified by Rev. Proc. 92-49, is modified to provide for the indexing of the "$50 benefit" limitation.

SEC. 13. EFFECTIVE DATE

This revenue procedure is applicable for all tax years beginning in 1993.