

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

ADMINISTRATIVE, INCOME TAX

Rev. Proc. 2021-47, page 775.

This revenue procedure addresses the federal income tax treatment and information reporting requirements for payments made to or on behalf of financially distressed individual homeowners by certain entities with funds allocated from the Homeowner Assistance Fund (HAF), established under section 3206 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4 (March 11, 2021), in response to the coronavirus disease (COVID-19) pandemic. This revenue procedure also provides guidance to States, and mortgage lenders and servicers regarding

information reporting requirements relating to certain HAF payments.

INCOME TAX

Rev. Proc. 2021-45, page 764.

This revenue procedure sets forth inflation-adjusted items for 2022 for various provisions of the Internal Revenue Code of 1986 (Code), as amended, as of November 10, 2021. To the extent amendments to the Code are enacted for 2022 after November 10, 2021, taxpayers should consult additional guidance to determine whether these adjustments remain applicable for 2022.

Bulletin No. 2021-48
November 29, 2021

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

Part III

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 23, 24, 32, 36B, 42, 45R, 55, 59, 62, 63, 125, 132(f), 135, 137, 146, 147, 148, 152, 179, 179D, 199A, 213, 220, 221, 448, 461, 512, 513, 642, 831, 877, 877A, 911, 1274A, 2010, 2032A, 2503, 2523, 4161, 4261, 6033, 6039F, 6323, 6334, 6601, 6651, 6652, 6695, 6698, 6699, 6721, 6722, 7345, 7430, 7702B, 9831; 1.148-5.)

Rev. Proc. 2021-45

Table of Contents

SECTION 1. PURPOSE	765
SECTION 2. CHANGES	765
SECTION 3. 2022 ADJUSTED ITEMS	765

	<i>Code Section</i>
.01 Tax Rate Tables	1(j)(2) (A)-(D)
.02 Unearned Income of Minor Children (“Kiddie Tax”)	1(g)
.03 Maximum Capital Gains Rate	1(h)
.04 Adoption Credit	23
.05 Child Tax Credit	24
.06 Earned Income Credit	32
.07 Refundable Credit for Coverage Under a Qualified Health Plan	36B(f)(2)(B)
.08 Rehabilitation Expenditures Treated as Separate New Building	42(e)
.09 Low-Income Housing Credit	42(h)
.10 Employee Health Insurance Expense of Small Employers	45R
.11 Exemption Amounts for Alternative Minimum Tax	55
.12 Alternative Minimum Tax Exemption for a Child Subject to the “Kiddie Tax”	59(j)
.13 Certain Expenses of Elementary and Secondary School Teachers	62(a)(2)(D)
.14 Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees Under Accountable Plans	62(c)
.15 Standard Deduction	63
.16 Cafeteria Plans	125
.17 Qualified Transportation Fringe Benefit	132(f)
.18 Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses	135
.19 Adoption Assistance Programs	137
.20 Private Activity Bonds Volume Cap	146(d)
.21 Loan Limits on Agricultural Bonds	147(c)(2)
.22 General Arbitrage Rebate Rules	148(f)
.23 Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow	148
.24 Gross Income Limitation for a Qualifying Relative	152(d)(1)(B)
.25 Election to Expense Certain Depreciable Assets	179
.26 Energy Efficient Commercial Buildings Deduction 179D	
.27 Qualified Business Income	199A
.28 Eligible Long-Term Care Premiums	213(d)(10)
.29 Medical Savings Accounts	220
.30 Interest on Education Loans	221
.31 Limitation on Use of Cash Method of Accounting	448
.32 Threshold for Excess Business Loss	461(l)
.33 Treatment of Dues Paid to Agricultural or Horticultural Organizations	512(d)
.34 Insubstantial Benefit Limitations for Contributions Associated With Charitable Fund-Raising Campaigns	513(h)
.35 Special Rules for Credits and Deductions	642

.36 Tax on Insurance Companies Other than Life Insurance Companies	831
.37 Expatriation to Avoid Tax	877
.38 Tax Responsibilities of Expatriation	877A
.39 Foreign Earned Income Exclusion	911
.40 Debt Instruments Arising Out of Sales or Exchanges	1274A
.41 Unified Credit Against Estate Tax	2010
.42 Valuation of Qualified Real Property in Decedent’s Gross Estate	2032A
.43 Annual Exclusion for Gifts	2503; 2523
.44 Tax on Arrow Shafts	4161
.45 Passenger Air Transportation Excise Tax	4261
.46 Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures	6033(e)(3)
.47 Notice of Large Gifts Received from Foreign Persons	6039F
.48 Persons Against Whom a Federal Tax Lien Is Not Valid	6323
.49 Property Exempt from Levy	6334(a)
.50 Exempt Amount of Wages, Salary, or Other Income	6334(d)
.51 Interest on a Certain Portion of the Estate Tax Payable in Installments	6601(j)
.52 Failure to File Tax Return	6651
.53 Failure to File Certain Information Returns, Registration Statements, etc.	6652
.54 Other Assessable Penalties With Respect to the Preparation of Tax Returns for Other Persons	6695
.55 Failure to File Partnership Return	6698
.56 Failure to File S Corporation Return	6699
.57 Failure to File Correct Information Returns	6721
.58 Failure to Furnish Correct Payee Statements	6722
.59 Revocation or Denial of Passport in Case of Certain Tax Delinquencies	7345
.60 Attorney Fee Awards	7430
.61 Periodic Payments Received Under Qualified Long-Term Care Insurance Contracts or Under Certain Life Insurance Contracts Arrangement	7702B(d)
.62 Qualified Small Employer Health Reimbursement	9831

SECTION 4. EFFECTIVE DATE.....775

SECTION 5. DRAFTING INFORMATION775

SECTION 1. PURPOSE

This revenue procedure sets forth inflation-adjusted items for 2022 for various provisions of the Internal Revenue Code of 1986 (Code), as amended, as of November 9, 2021. To the extent amendments to the Code are enacted for 2022 after November 9, 2021, taxpayers should consult additional guidance to determine whether these adjustments remain applicable for 2022.

SECTION 2. CHANGES

.01 For taxable years beginning after December 31, 2020, Div. EE, Title I, Subtitle A, §104 of the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (Consolidated Appropriations Act, 2021) provides that the allowable

amount of the: (i) American Opportunity Tax Credit under § 25A(b) of the Code is phased out for taxpayers with modified adjusted gross income in excess of \$80,000 (\$160,000 for joint returns); and (ii) Lifetime Learning Credit under § 25A(c) of the Code is phased out for taxpayers with modified adjusted gross income in excess of \$80,000 (\$160,000 for joint returns). The phaseout range provided in § 25A(d)(2) is not adjusted for inflation for taxable years beginning after December 31, 2020.

.02 For taxable years beginning after December 31, 2020, Div. EE, Title I, Subtitle A, §102 of the Consolidated Appropriations Act, 2021, provides that the energy efficient commercial buildings deduction is made permanent. In addition, the amount under § 179D(b)(1) used to determine the maximum amount

of the deductions and the amount under § 179D(d)(1)(A) used to determine the partial allowance amount of the deduction are adjusted for inflation, beginning with taxable years beginning after December 31, 2020. As a result, for taxable years beginning in 2021, the maximum amount of the deduction allowed under section 179D(b) is \$1.82. For taxable years beginning in 2021, the amount used to determine the partial allowance of the deduction under section 179D(d)(1)(A) is \$0.61.

SECTION 3. 2022 ADJUSTED ITEMS

.01 *Tax Rate Tables.* For taxable years beginning in 2022, the tax rate tables under § 1 are as follows:

TABLE 1 - Section 1(j)(2)(A) - Married Individuals Filing Joint Returns and Surviving Spouses

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$20,550	10% of the taxable income
Over \$20,550 but not over \$83,550	\$2,055 plus 12% of the excess over \$20,550
Over \$83,550 but not over \$178,150	\$9,615 plus 22% of the excess over \$83,550
Over \$178,150 but not over \$340,100	\$30,427 plus 24% of the excess over \$178,150
Over \$340,100 but not over \$431,900	\$69,295 plus 32% of the excess over \$340,100
Over \$431,900 but not over \$647,850	\$98,671 plus 35% of the excess over \$431,900
Over \$647,850	\$174,253.50 plus 37% of the excess over \$647,850

TABLE 2 - Section 1(j)(2)(B) – Heads of Households

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$14,650	10% of the taxable income
Over \$14,650 but not over \$55,900	\$1,465 plus 12% of the excess over \$14,650
Over \$55,900 but not over \$89,050	\$6,415 plus 22% of the excess over \$55,900
Over \$89,050 but not over \$170,050	\$13,708 plus 24% of the excess over \$89,050
Over \$170,050 but not over \$215,950	\$33,148 plus 32% of the excess over \$170,050
Over \$215,950 but not over \$539,900	\$47,836 plus 35% of the excess over \$215,950
Over \$539,900	\$161,218.50 plus 37% of the excess over \$539,900

TABLE 3 - Section 1(j)(2)(C) – Unmarried Individuals (other than Surviving Spouses and Heads of Households)

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$10,275	10% of the taxable income
Over \$10,275 but not over \$41,775	\$1,027.50 plus 12% of the excess over \$10,275
Over \$41,775 but not over \$89,075	\$4,807.50 plus 22% of the excess over \$41,775

Over \$89,075 but not over \$170,050	\$15,213.50 plus 24% of the excess over \$89,075
Over \$170,050 but not over \$215,950	\$34,647.50 plus 32% of the excess over \$170,050
Over \$215,950 but not over \$539,900	\$49,335.50 plus 35% of the excess over \$215,950
Over \$539,900	\$162,718 plus 37% of the excess over \$539,900

TABLE 4 - Section 1(j)(2)(D) – Married Individuals Filing Separate Returns

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$10,275	10% of the taxable income
Over \$10,275 but not over \$41,775	\$1,027.50 plus 12% of the excess over \$10,275
Over \$41,775 but not over \$89,075	\$4,807.50 plus 22% of the excess over \$41,775
Over \$89,075 but not over \$170,050	\$15,213.50 plus 24% of the excess over \$89,075
Over \$170,050 but not over \$215,950	\$34,647.50 plus 32% of the excess over \$170,050
Over \$215,950 but not over \$323,925	\$49,335.50 plus 35% of the excess over \$215,950
Over \$323,925	\$87,126.75 plus 37% of the excess over \$323,925

TABLE 5 - Section 1(j)(2)(E) – Estates and Trusts

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$2,750	10% of the taxable income
Over \$2,750 but not over \$9,850	\$275 plus 24% of the excess over \$2,750
Over \$9,850 but not over \$13,450	\$1,979 plus 35% of the excess over \$9,850
Over \$13,450	\$3,239 plus 37% of the excess over \$13,450

.02 *Unearned Income of Minor Children (the “Kiddie Tax”).* For taxable years beginning in 2022, 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 \$1,150. This \$1,150 amount is the same as the amount provided in § 63(c)(5)(A),

as adjusted for inflation. The same \$1,150 amount is used for purposes of § 1(g)(7) (that is, to determine whether a parent may elect to include a child’s gross income in the parent’s gross income and to calculate the “kiddie tax”). For example, one of the requirements for the parental election is that a child’s gross income is more than

the amount referenced in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child’s gross income for 2022 must be more than \$1,150 but less than \$11,500.

.03 *Maximum Capital Gains Rate.* For taxable years beginning in 2022, the Maximum Zero Rate Amount under § 1(h)(1)(B)(i) is \$83,350 in the case of a joint return or

surviving spouse (\$41,675 in the case of a married individual filing a separate return), \$55,800 in the case of an individual who is a head of household (§ 2(b)), \$41,675 in the case of any other individual (other than an estate or trust), and \$2,800 in the case of an estate or trust. The Maximum 15-percent Rate Amount under § 1(h)(1)(C)(ii)(I) is \$517,200 in the case of a joint return or surviving spouse (\$258,600 in the case of a married individual filing a separate return), \$488,500 in the case of an individual who is the head of a household (§ 2(b)), \$459,750 in the case of any other individual (other than an estate or trust), and \$13,700 in the case of an estate or trust.

.04 *Adoption Credit.* For taxable years beginning in 2022, under § 23(a)(3) the credit allowed for an adoption of a child with special needs is \$14,890. For taxable years beginning in 2022, under § 23(b) (1) the maximum credit allowed for other

adoptions is the amount of qualified adoption expenses up to \$14,890. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$223,410 and is completely phased out for taxpayers with modified adjusted gross income of \$263,410 or more. See section 3.19 for the adjusted items relating to adoption assistance programs.

.05 *Child Tax Credit.* For taxable years beginning in 2022, the amount used in § 24(d)(1)(A) to determine the amount of credit under § 24 that may be refundable is \$1,500.

.06 *Earned Income Credit.*

(1) *In general.* For taxable years beginning in 2022, 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 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 adjusted gross income (or, if greater, earned income) at or above which no credit is allowed. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for married taxpayers filing a joint return include the increase provided in § 32(b)(2)(B), as adjusted for inflation for taxable years beginning in 2022. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for single, surviving spouse, or head of household taxpayers also apply to married taxpayers who are not filing a joint return and satisfy the special rules for separated spouses in § 32(d).

<i>Item</i>	<i>Number of Qualifying Children</i>			
	<i>One</i>	<i>Two</i>	<i>Three or More</i>	<i>None</i>
Earned Income Amount	\$10,980	\$15,410	\$15,410	\$7,320
Maximum Amount of Credit	\$3,733	\$6,164	\$6,935	\$560
Threshold Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$20,130	\$20,130	\$20,130	\$9,160
Completed Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$43,492	\$49,399	\$53,057	\$16,480
Threshold Phaseout Amount (Married Filing Jointly)	\$26,260	\$26,260	\$26,260	\$15,290
Completed Phaseout Amount (Married Filing Jointly)	\$49,622	\$55,529	\$59,187	\$22,610

The instructions for the Form 1040 series provide tables showing the amount of the earned income credit for each type of taxpayer.

(2) *Excessive Investment Income.* For taxable years beginning in 2022, the

earned income tax credit is not allowed under § 32(i) if the aggregate amount of certain investment income exceeds \$10,300.

.07 *Refundable Credit for Coverage Under a Qualified Health Plan.* For tax-

able years beginning in 2022, the limitation on tax imposed under § 36B(f)(2) (B) for excess advance credit payments is determined using the following table:

If the household income (expressed as a percent of poverty line) is:	The limitation amount for unmarried individuals (other than surviving spouses and heads of household) is:	The limitation amount for all other taxpayers is:
Less than 200%	\$325	\$650
At least 200% but less than 300%	\$825	\$1,650
At least 300% but less than 400%	\$1,400	\$2,800

.08 *Rehabilitation Expenditures Treated as Separate New Building.* For calendar year 2022, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$7,400.

.09 *Low-Income Housing Credit.* For calendar year 2022, the amount used

under § 42(h)(3)(C)(ii) to calculate the State housing credit ceiling for the low-income housing credit is the greater of (1) \$2.60 multiplied by the State population, or (2) \$2,975,000.

.10 *Employee Health Insurance Expense of Small Employers.* For taxable

years beginning in 2022, the dollar amount in effect under § 45R(d)(3)(B) is \$28,700. This amount is used under § 45R(c) for limiting the small employer health insurance credit and under § 45R(d)(1)(B) for determining who is an eligible small employer for purposes of the credit.

.11 *Exemption Amounts for Alternative Minimum Tax.* For taxable years beginning in 2022, the exemption amounts under § 55(d)(1) are:

Joint Returns or Surviving Spouses	\$118,100
Unmarried Individuals (other than Surviving Spouses)	\$75,900
Married Individuals Filing Separate Returns	\$59,050
Estates and Trusts	\$26,500

For taxable years beginning in 2022, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

Married Individuals Filing Separate Returns	\$103,050
Joint Returns, Unmarried Individuals (other than surviving spouses), and Estates and Trusts	\$206,100

For taxable years beginning in 2022, the amounts used under § 55(d)(2) to determine the phaseout of the exemption amounts are:

	<i>Threshold Phaseout amount</i>	<i>Complete Phaseout amount</i>
Joint Returns or Surviving Spouses	\$1,079,800	\$1,552,200
Unmarried Individuals (other than Surviving Spouses)	\$539,900	\$843,500
Married Individuals Filing Separate Returns	\$539,900	\$776,100
Estates and Trusts	\$88,300	\$194,300

.12 *Alternative Minimum Tax Exemption for a Child Subject to the “Kiddie Tax.”* For taxable years beginning in 2022, for a child to whom the § 1(g) “kiddie tax” applies, the exemption amount under §§ 55(d) and 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (1) the child’s earned income for the taxable year, plus (2) \$8,200.

.13 *Certain Expenses of Elementary and Secondary School Teachers.* For taxable years beginning in 2022, under § 62(a)(2)(D) the amount of the deduction allowed under § 162 that consists of

expenses paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom is \$300.

.14 *Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees Under Accountable Plans.* For calendar year 2022, an eligible employer

may pay certain welders and heavy equipment mechanics an amount up to \$19 per hour for rig-related expenses that are deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002-41, 2002-1 C.B. 1098. If the employer provides fuel or otherwise reimburses fuel expenses, an amount up to \$12 per hour is deemed substantiated if paid under Rev. Proc. 2002-41.

.15 *Standard Deduction.*

(1) *In general.* For taxable years beginning in 2022, the standard deduction amounts under § 63(c)(2) are as follows:

<i>Filing Status</i>	<i>Standard Deduction</i>
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(j)(2)(A))	\$25,900
Heads of Households (§ 1(j)(2)(B))	\$19,400
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(j)(2)(C))	\$12,950
Married Individuals Filing Separate Returns (§ 1(j)(2)(D))	\$12,950

(2) *Dependent.* For taxable years beginning in 2022, the standard deduction amount under § 63(c)(5) for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,150, or (2) the sum of \$400 and the individual's earned income.

(3) *Aged or blind.* For taxable years beginning in 2022, the additional standard deduction amount under § 63(f) for the aged or the blind is \$1,400. The additional standard deduction amount is increased to \$1,750 if the individual is also unmarried and not a surviving spouse.

.16 *Cafeteria Plans.* For taxable years beginning in 2022, the dollar limitation under § 125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements is \$2,850. If the cafeteria plan permits the carryover of unused amounts, the maximum carryover amount is \$570.

.17 *Qualified Transportation Fringe Benefit.* For taxable years beginning in 2022, 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 \$280. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is \$280.

.18 *Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses.* For taxable years beginning in 2022, 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 \$128,650 for joint returns and \$85,800 for all other returns. The exclusion is completely phased out for modified adjusted gross income of \$158,650 or more for joint returns and \$100,800 or more for all other returns.

.19 *Adoption Assistance Programs.* For taxable years beginning in 2022, under § 137(a)(2), the amount that can be excluded from an employee's gross income for the adoption of a child with special needs is \$14,890. For taxable years beginning in 2022, under § 137(b)(1) the maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for adoptions by the employee is \$14,890. The amount excludable from an employee's gross income begins to phase out under § 137(b)(2) (A) for taxpayers with modified adjusted gross income in excess of \$223,410 and is completely phased out for taxpayers with modified adjusted gross income of \$263,410 or more. (See section 3.04 of this revenue procedure for the adjusted items relating to the adoption credit.)

.20 *Private Activity Bonds Volume Cap.* For calendar year 2022, the amounts used under § 146(d) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) \$110 multiplied by the State population, or (2) \$335,115,000.

.21 *Loan Limits on Agricultural Bonds.* For calendar year 2022, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is \$575,400.

.22 *General Arbitrage Rebate Rules.* For bond years ending in 2022, the amount of the computation credit determined under § 1.148-3(d)(4) of the Income Tax Regulations is \$1,830.

.23 *Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow.* For calendar year 2022, under § 1.148-5(e)(2)(iii)(B)(1), a broker's commission or similar fee for the acquisition of a

guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is reasonable if (1) the amount of the fee that the issuer treats as a qualified administrative cost does not exceed the lesser of (A) \$43,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(2)) or, if more, \$4,000; and (2) for any issue, the issuer does not treat more than \$122,000 in brokers' commissions or similar fees as qualified administrative costs for all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with gross proceeds of the issue.

.24 *Gross Income Limitation for a Qualifying Relative.* For taxable years beginning in 2022, the exemption amount referenced in § 152(d)(1)(B) is \$4,400.

.25 *Election to Expense Certain Depreciable Assets.* For taxable years beginning in 2022, under § 179(b)(1), the aggregate cost of any § 179 property that a taxpayer elects to treat as an expense cannot exceed \$1,080,000 and under § 179(b)(5)(A), the cost of any sport utility vehicle that may be taken into account under § 179 cannot exceed \$27,000. Under § 179(b)(2), the \$1,080,000 limitation under section 179(b)(1) is reduced (but not below zero) by the amount by which the cost of § 179 property placed in service during the 2022 taxable year exceeds \$2,700,000.

.26 *Energy Efficient Commercial Building Deduction.* For taxable years beginning in 2022, the maximum amount of the deduction allowed under section 179D(b) is \$1.88. For taxable years beginning in 2022, the amount used to determine the partial allowance of the deduction under section 179D(d)(1)(A) is \$0.63.

.27 *Qualified Business Income.* For taxable years beginning in 2022, the threshold amounts under § 199A(e)(2) and phase-in range amounts under § 199A(b)(3)(B) and § 199A(d)(3)(A) are:

<i>Filing Status</i>	<i>Threshold amount</i>	<i>Phase-in range amount</i>
Married Individuals Filing Joint Returns	\$340,100	\$440,100
Married Individuals Filing Separate Returns	\$170,050	\$220,050
All Other Returns	\$170,050	\$220,050

.28 *Eligible Long-Term Care Premiums.* For taxable years beginning in 2022,

the limitations under § 213(d)(10), regarding eligible long-term care premiums

includible in the term “medical care,” are as follows:

<i>Attained Age Before the Close of the Taxable Year</i>	<i>Limitation on Premiums</i>
40 or less	\$450
More than 40 but not more than 50	\$850
More than 50 but not more than 60	\$1,690
More than 60 but not more than 70	\$4,510
More than 70	\$5,640

.29 *Medical Savings Accounts.*

(1) *Self-only coverage.* For taxable years beginning in 2022, the term “high deductible health plan” as defined in § 220(c)(2)(A) means, for self-only coverage, a health plan that has an annual deductible that is not less than \$2,450 and not more than \$3,700, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$4,950.

(2) *Family coverage.* For taxable years beginning in 2022, the term “high deductible health plan” means, for family coverage, a health plan that has an annual deductible that is not less than \$4,950 and not more than \$7,400, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$9,050.

.30 *Interest on Education Loans.* For taxable years beginning in 2022, the \$2,500 maximum deduction for interest paid on qualified education loans under § 221 begins to phase out under § 221(b)(2)(B) for taxpayers with modified adjusted gross income in excess of \$70,000 (\$145,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$85,000 or more (\$175,000 or more for joint returns).

.31 *Limitation on Use of Cash Method of Accounting.* For taxable years beginning in 2022, a corporation or partnership meets the gross receipts test of § 448(c) for any taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with the taxable year which precedes such taxable year does not exceed \$27,000,000.

.32 *Threshold for Excess Business Loss.* For taxable years beginning in 2022, in determining a taxpayer’s excess busi-

ness loss, the amount under § 461(l)(3)(A)(ii)(II) is \$270,000 (\$540,000 for joint returns).

.33 *Treatment of Dues Paid to Agricultural or Horticultural Organizations.* For taxable years beginning in 2022, 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 \$178.

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

(1) *Low cost article.* For taxable years beginning in 2022, for purposes of defining the term “unrelated trade or business” for certain exempt organizations under § 513(h)(2), “low cost articles” are articles costing \$11.70 or less.

(2) *Other insubstantial benefits.* For taxable years beginning in 2022, under § 170, the \$5, \$25, and \$50 guidelines in section 3 of Rev. Proc. 90-12, 1990-1 C.B. 471 (as amplified by Rev. Proc. 92-49, 1992-1 C.B. 987, and modified by Rev. Proc. 92-102, 1992-2 C.B. 579), for the value of insubstantial benefits that may be received by a donor in return for a contribution, without causing the contribution to fail to be fully deductible, are \$11.70, \$58.50 and \$117, respectively.

.35 *Special Rules for Credits and Deductions.* For taxable years beginning in 2022, the amount of the deduction under § 642(b)(2)(C)(i) is \$4,400.

.36 *Tax on Insurance Companies Other than Life Insurance Companies.* For taxable years beginning in 2022, under § 831(b)(2)(A)(i) the amount of the limit on net written premiums or direct written premiums (whichever is greater) is \$2,450,000 to elect the alternative tax for certain small companies under § 831(b)(1) to be taxed only on taxable investment income.

.37 *Expatriation to Avoid Tax.* For calendar year 2022, under § 877A(g)(1)(A), unless an exception under § 877A(g)(1)(B) applies, an individual is a covered expatriate if the individual’s “average annual net income tax” under § 877(a)(2)(A) for the five taxable years ending before the expatriation date is more than \$178,000.

.38 *Tax Responsibilities of Expatriation.* For taxable years beginning in 2022, the amount that would be includible in the gross income of a covered expatriate by reason of § 877A(a)(1) is reduced (but not below zero) by \$767,000 pursuant to § 877A(a)(3).

.39 *Foreign Earned Income Exclusion.* For taxable years beginning in 2022, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$112,000.

.40 *Debt Instruments Arising Out of Sales or Exchanges.* For calendar year 2022, a qualified debt instrument under § 1274A(b) has stated principal that does not exceed \$6,289,500, and a cash method debt instrument under § 1274A(c)(2) has stated principal that does not exceed \$4,492,500.

.41 *Unified Credit Against Estate Tax.* For an estate of any decedent dying in calendar year 2022, the basic exclusion amount is \$12,060,000 for determining the amount of the unified credit against estate tax under § 2010.

.42 *Valuation of Qualified Real Property in Decedent’s Gross Estate.* For an estate of a decedent dying in calendar year 2022, 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 for purposes of the estate tax cannot exceed \$1,230,000.

.43 *Annual Exclusion for Gifts.*

(1) For calendar year 2022, the first \$16,000 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 2022, the first \$164,000 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.

44 Tax on Arrow Shafts. For calendar year 2022, the tax imposed under § 4161(b)(2)(A) on the first sale by the manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows is \$0.55 per shaft.

45 Passenger Air Transportation Excise Tax. For calendar year 2022, the tax under § 4261(b)(1) on the amount paid for each domestic segment of taxable air transportation is \$4.50. For calendar year 2022, the tax under § 4261(c)(1) on any amount paid (whether within or without the United States) for any international air transportation, if the transportation begins or ends in the United States, generally is \$19.70. Under § 4261(c)(3), however, a lower rate of tax applies under § 4261(c)(1) to a domestic segment beginning or ending in Alaska or Hawaii, and the tax applies only to departures. For calendar year 2022, the rate of tax is \$9.90.

46 Reporting Exception for Certain Exempt Organizations with Nondeduct-

ible Lobbying Expenditures. For taxable years beginning in 2022, 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, 1998-1 C.B. 547), regarding certain exempt organizations with nondeductible lobbying expenditures, is \$124 or less.

47 Notice of Large Gifts Received from Foreign Persons. For taxable years beginning in 2022, § 6039F authorizes the Treasury Department and the Internal Revenue Service to require recipients of gifts from certain foreign persons to report these gifts if the aggregate value of gifts received in the taxable year exceeds \$17,339.

48 Persons Against Whom a Federal Tax Lien Is Not Valid. For calendar year 2022, a federal tax lien is not valid against (1) certain purchasers under § 6323(b)(4) who purchased personal property in a casual sale for less than \$1,690, or (2) a mechanic's lien or under § 6323(b)(7) who repaired or improved certain residential property if the contract price with the owner is not more than \$8,440.

49 Property Exempt from Levy. For calendar year 2022, 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) cannot exceed \$10,090. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade,

business, or profession of the taxpayer) cannot exceed \$5,050.

.50 Exempt Amount of Wages, Salary, or Other Income. For taxable years beginning in 2022, the dollar amount used to calculate the amount determined under § 6334(d)(4)(B) is \$4,400.

.51 Interest on a Certain Portion of the Estate Tax Payable in Installments. For an estate of a decedent dying in calendar year 2022, the dollar amount used to determine the “2-percent portion” (for purposes of calculating interest under § 6601(j)) of the estate tax extended as provided in § 6166 is \$1,640,000.

.52 Failure to File Tax Return. In the case of any return required to be filed in 2023, the amount of the addition to tax under § 6651(a) for failure to file within 60 days of the due date of such return (determined with regard to any extensions of time for filing) shall not be less than the lesser of \$450 or 100 percent of the amount required to be shown as tax on such return.

.53 Failure to File Certain Information Returns, Registration Statements, etc. For returns required to be filed in 2023, the penalty amounts under § 6652(c) are:

(1) for failure to file a return required under § 6033(a)(1) (relating to returns by exempt organization) or § 6012(a)(6) (relating to returns by political organizations):

Scenario	Daily Penalty	Maximum Penalty
Organization (§ 6652(c)(1)(A))	\$20	Lessor of \$11,000 or 5% of gross receipts of the organization for the year.
Organization with gross receipts exceeding \$1,129,000 (§ 6652(c)(1)(A))	\$110	\$56,000
Managers (§ 6652(c)(1)(B))	\$10	\$5,500
Public inspection of annual returns and reports (§ 6652(c)(1)(C))	\$20	\$11,000
Public inspection of applications for exemption and notice of status (§ 6652(c)(1)(D))	\$20	No Limit

(2) for failure to file a return required under § 6034 (relating to returns by cer-

tain trust) or § 6043(b) (relating to terminations, etc., of exempt organizations):

Scenario	Daily Penalty	Maximum Penalty
Organization or trust (§ 6652(c)(2)(A))	\$10	\$5,500
Managers (§ 6652(c)(2)(B))	\$10	\$5,500
Split-Interest Trust (§ 6652(c)(2)(C)(ii))	\$20	\$11,000
Any trust with gross income exceeding \$282,000 (§ 6652(c)(2)(C)(ii))	\$110	\$56,000

(3) for failure to file a disclosure required under § 6033(a)(2):

<i>Scenario</i>	<i>Daily Penalty</i>	<i>Maximum Penalty</i>
Tax-exempt entity (§ 6652(c)(3)(A))	\$110	\$56,000
Failure to comply with written demand (§ 6652(c)(3)(B)(ii))	\$110	\$11,000

.54 *Other Assessable Penalties With Respect to the Preparation of Tax Returns for Other Persons.* In the case of any failure relating to a return or claim for refund filed in 2023, the penalty amounts under § 6695 are:

<i>Scenario</i>	<i>Per Return or Claim for Refund</i>	<i>Maximum Penalty</i>
Failure to furnish copy to taxpayer (§ 6695(a))	\$55	\$28,000
Failure to sign return (§ 6695(b))	\$55	\$28,000
Failure to furnish identifying number (§ 6695(c))	\$55	\$28,000
Failure to retain copy or list (§ 6695(d))	\$55	\$28,000
Failure to file correct information returns (§ 6695(e))	\$55 per return and item in return	\$28,000
Negotiation of check (§ 6695(f))	\$560 per check	No limit
Failure to be diligent in determining eligibility for head of household filing status, child tax credit, American Opportunity tax credit, and earned income credit (§ 6695(g))	\$560 per failure	No limit

.55 *Failure to File Partnership Return.* In the case of any return required to be filed in 2023, the dollar amount used to determine the amount of the penalty under § 6698(b)(1) is \$220.

to be filed in 2023, the dollar amount used to determine the amount of the penalty under § 6699(b)(1) is \$220.

(1) for persons with average annual gross receipts for the most recent three taxable years of more than \$5,000,000, for failure to file correct information returns:

.56 *Failure to File S Corporation Return.* In the case of any return required

.57 *Failure to File Correct Information Returns.* In the case of any failure relating to a return required to be filed in 2023, the penalty amounts under § 6721 are:

<i>Scenario</i>	<i>Penalty Per Return</i>	<i>Calendar Year Maximum</i>
General Rule (§ 6721(a)(1))	\$290	\$3,532,500
Corrected on or before 30 days after required filing date (§ 6721(b)(1))	\$50	\$588,500
Corrected after 30 th day but on or before August 1, 2023 (§ 6721(b)(2))	\$110	\$1,766,000

(2) for persons with average annual gross receipts for the most recent three taxable years of \$5,000,000 or less, for failure to file correct information returns:

<i>Scenario</i>	<i>Penalty Per Return</i>	<i>Calendar Year Maximum</i>
General Rule (§ 6721(d)(1)(A))	\$290	\$1,177,500
Corrected on or before 30 days after required filing date (§ 6721(d)(1)(B))	\$50	\$206,000
Corrected after 30 th day but on or before August 1, 2023 (§ 6721(d)(1)(C))	\$110	\$588,500

(3) for failure to file correct information returns due to intentional disregard of the filing requirement (or the correct information reporting requirement):

<i>Scenario</i>	<i>Penalty Per Return</i>	<i>Calendar Year Maximum</i>
Return other than a return required to be filed under §§ 6045(a), 6041A(b), 6050H, 6050I, 6050J, 6050K, or 6050L (§ 6721(e)(2)(A))	Greater of (i) \$580, or (ii) 10% of aggregate amount of items required to be reported correctly	No limit

<i>Scenario</i>	<i>Penalty Per Return</i>	<i>Calendar Year Maximum</i>
Return required to be filed under §§ 6045(a), 6050K, or 6050L (§ 6721(e)(2)(B))	Greater of (i) \$580, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit
Return required to be filed under § 6050I(a) (§ 6721(e)(2)(C))	Greater of (i) \$29,440, or (ii) amount of cash received up to \$117,500	No limit
Return required to be filed under § 6050V (§ 6721(e)(2)(D))	Greater of (i) \$580, or (ii) 10% of the value of the benefit of any contract with respect to which information is required to be included on the return	No limit

.58 *Failure to Furnish Correct Payee Statements.* In the case of any failure relating to a statement required to be furnished in 2023, the penalty amounts under § 6722 are: taxable years of more than \$5,000,000, for failure to furnish correct payee statements:

(1) for persons with average annual gross receipts for the most recent three

<i>Scenario</i>	<i>Penalty Per Statement</i>	<i>Calendar Year Maximum</i>
General Rule (§ 6722(a)(1))	\$290	\$3,532,500
Corrected on or before 30 days after required furnishing date (§ 6722(b)(1))	\$50	\$588,500
Corrected after 30th day but on or before August 1, 2023 (§ 6722(b)(2))	\$110	\$1,766,000

(2) for persons with average annual gross receipts for the most recent 3 taxable years of \$5,000,000 or less, for failure to furnish correct payee statements:

<i>Scenario</i>	<i>Penalty Per Statement</i>	<i>Calendar Year Maximum</i>
General Rule (§ 6722(d)(1)(A))	\$290	\$1,177,500
Corrected on or before 30 days after required furnishing date (§ 6722(d)(1)(B))	\$50	\$206,000
Corrected after 30 th day but on or before August 1, 2023 (§ 6722(d)(1)(C))	\$110	\$588,500

(3) for failure to furnish correct payee statements due to intentional disregard of the requirement to furnish a payee statement (or the correct information reporting requirement):

<i>Scenario</i>	<i>Penalty Per Statement</i>	<i>Calendar Year Maximum</i>
Payee statement other than a statement required under §§ 6045(b), 6041A(e) (in respect of a return required under § 6041A(b)), 6050H(d), 6050J(e), 6050K(b), or 6050L(c) (§ 6722(e)(2)(A))	Greater of (i) \$580, or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Payee statement required under §§ 6045(b), 6050K(b), or 6050L(c) (§ 6722(e)(2)(B))	Greater of (i) \$580, or (ii) 5% of aggregate amount of items required to be reported correctly	No limit

.59 *Revocation or Denial of Passport in Case of Certain Tax Delinquencies.* For calendar year 2022, the amount of a serious delinquent tax debt under § 7345 is \$55,000.

.60 *Attorney Fee Awards.* For fees incurred in calendar year 2022, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$220 per hour.

.61 *Periodic Payments Received Under Qualified Long-Term Care Insurance Contracts or Under Certain Life Insurance Contracts.* For calendar year 2022, 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 \$390.

.62 *Qualified Small Employer Health Reimbursement Arrangement.* For taxable years beginning in 2022, to qualify as a qualified small employer health reimbursement arrangement under § 9831(d), the arrangement must provide that the

total amount of payments and reimbursements for any year cannot exceed \$5,450 (\$11,050 for family coverage).

SECTION 4. EFFECTIVE DATE

.01 *General Rule.* Except as provided in section 4.02 of this revenue procedure, this revenue procedure applies to taxable years beginning in 2022.

.02 *Calendar Year Rule.* This revenue procedure applies to transactions or events occurring in calendar year 2022 for purposes of sections 3.08 (rehabilitation expenditures treated as separate new building), 3.09 (low-income housing credit), 3.14 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 3.20 (private activity bonds volume cap), 3.21 (loan limits on agricultural bonds), 3.22 (general arbitrage rebate rules), 3.23 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 3.37 (expatriation to avoid taxes), 3.40 (debt instruments arising out of sales or exchanges), 3.41 (unified credit against estate tax), 3.42 (valuation of qualified real property in decedent's gross estate), 3.43 (annual exclusion for gifts), 3.44 (tax on arrow shafts), 3.45 (passenger air transportation excise tax), 3.48 (persons against whom a federal tax lien is not valid), 3.49 (property exempt from levy), 3.51 (interest on a certain portion of the estate tax payable in installments), 3.59 (revocation or denial of passport in case of certain tax delinquencies), 3.60 (attorney fee awards), and 3.61 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts) of this revenue procedure.

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is William Ruane of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Ruane at (202) 317-4718 (not a toll-free number).

26 CFR 601.105 Examination of returns and claims for refund, credit or abatement; determination of correct tax liability.

(Also: Part I, §§ 139, 163, 164, 6041, 6041A, 6050H, 6721, 6722, 6724; §§ 1.6041-1, 1.6050H-1(e)(ii), 1.6050H-3(b))

Rev. Proc. 2021-47

SECTION 1. PURPOSE

This revenue procedure addresses the Federal income tax treatment and information reporting requirements for payments made to or on behalf of financially distressed individual homeowners by certain entities with funds allocated from the Homeowner Assistance Fund (HAF), which was established under section 3206 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4 (March 11, 2021) (ARP), in response to the coronavirus disease (COVID-19) pandemic.

SECTION 2. BACKGROUND

.01 On March 13, 2020, the President declared that the COVID-19 outbreak in the United States constituted a national emergency, beginning March 1, 2020. *See* Proclamation 9994, 85 Fed. Reg. 15337 (March 13, 2020). On February 24, 2021, the President extended the nationwide emergency due to COVID-19 beyond March 1, 2021. *See* Presidential Notice, 86 Fed. Reg. 11599 (February 24, 2021).

.02 As of April 17, 2020, the President had declared the COVID-19 pandemic a disaster warranting assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5121-5207, in all fifty States, the District of Columbia, and the United States territories, with an incident date beginning January 20, 2020, and continuing. *See* Letter to Federal Agencies on an Emergency Determination for the Coronavirus Disease 2019 (COVID-19) Pandemic Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Comp. Pres. Doc. (Mar. 13, 2020). *See for example*, District of Columbia; Major Disaster and Related Determinations, 85 Fed. Reg. 31534.

.03 In section 3206(a) of the ARP, Congress appropriated funds for fiscal year 2021 that are to remain available until

September 30, 2025, to fund the HAF. The purpose of the HAF is to mitigate financial hardships associated with the COVID-19 pandemic by providing funds to the eligible entities listed in section 3206(b)(3) of the ARP for the purpose of paying certain expenses to prevent: homeowner mortgage delinquencies; defaults; foreclosures; loss of utilities or home energy services; and displacements of homeowners experiencing financial hardship after January 21, 2020.

.04 Section 3206(b)(3) of the ARP provides that *eligible entities* include: (1) any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands; and (2) pursuant to section 3206(f) of the ARP, entities that are eligible for payments under section 501(b)(2)(A)(i) and (ii) of subtitle A of title V of division N of the Consolidated Appropriations Act, 2021 (CAA), Public Law 116-260, 134 Stat. 1182 (December 27, 2020).

.05 Under the HAF program, funds are appropriated to eligible entities for the purpose of helping homeowners who satisfy the requirements of section 3206(c)(2) of the ARP with qualified expenses related to housing. Section 3206(b)(2) of the ARP provides a definition of dwelling which describes the property on which a homeowner could qualify for payments from the HAF. Sections 3206(b)(1) and 3206(b)(4) of the ARP define the types of mortgages on such dwellings that qualify for payments from the HAF.

.06 Section 3206(c)(1) of the ARP sets forth a non-exclusive list of *qualified expenses*, which include: mortgage payment assistance; financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing related costs related to a period of forbearance, delinquency, or default; principal reduction; facilitating interest rate reductions; and payment assistance for: (a) utilities, including electric, gas, home energy, and water; (b) internet service, including broad band internet access service, as defined in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation); (c) homeowner's insurance, flood insurance, and mortgage insurance; and (d) homeowner's association, con-

dominium association fees, or common charges. In addition, section 3206(c)(1)(G) of the ARP provides that HAF funds may be used for any other assistance to promote housing stability for homeowners, including preventing mortgage delinquency, default, foreclosure, post-foreclosure eviction of a homeowner, or the loss of utility or home energy services, as determined by the Secretary of the Treasury (Secretary).

.07 Section 61(a) of the Code provides that, except as otherwise provided by law, gross income means all income from whatever source derived.

.08 Section 139(a) of the Code provides that gross income does not include any amount received by an individual as a qualified disaster relief payment. Section 139(b)(4) provides that the term *qualified disaster relief payment* includes any amount paid to or for the benefit of an individual if such amount is paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare, but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise. Section 139(c) defines a *qualified disaster*, for purposes of § 139(b)(4), to mean a federally declared disaster within the meaning of § 165(i)(5)(A) of the Code, or a disaster which is determined by an applicable Federal, State, or local authority (as determined by the Secretary) to warrant assistance from the Federal, State, or local government, or agency or instrumentality thereof.

.09 Section 139(h) provides that, notwithstanding any other provision of subtitle A of the Code, no deduction or credit is allowed (to the person for whose benefit a qualified disaster relief payment or qualified disaster mitigation payment is made) for, or by reason of, any expenditure to the extent of the amount excluded under § 139 with respect to such expenditure.

.10 Section 163(h)(2)(D) of the Code generally allows taxpayers to deduct as personal interest amounts paid as *qualified residence interest*, as defined in § 163(h)(3), during the taxable year. For this purpose, *qualified residence interest* generally includes interest on acquisition indebtedness and certain home equity indebted-

ness (subject to certain dollar limitations), and may include mortgage insurance premiums treated as interest, as defined in § 163(h)(3)(E), (collectively, mortgage interest) with respect to any *qualified residence*, as defined in § 163(h)(4).

.11 Section 164(a) of the Code generally allows taxpayers to deduct certain taxes paid during the taxable year. For example, State and local real property taxes are types of taxes that may be deducted under § 164(a). However, § 164(b)(6)(B) provides that, in the case of an individual, for taxable years beginning after December 31, 2017, and before January 1, 2026, the aggregate amount of taxes taken into account under §§ 164(a)(1), (2), and (3) and 164(b)(5) for any taxable year cannot exceed \$10,000 (\$5,000 in the case of a married individual filing a separate return).

.12 Section 3 of this revenue procedure provides an optional safe harbor method for homeowners to compute their itemized deductions for mortgage interest and real property taxes when in the same taxable year the homeowner has received, or benefited from, a HAF payment from a State, as defined in section 3.02(6) of this revenue procedure, that may be used to pay a portion of a homeowner's mortgage interest and/or real property taxes and the homeowner has also paid a portion of the mortgage interest and real property taxes with funds from the Homeowner's own sources, as defined in section 3.02(3) of this revenue procedure. A homeowner is not permitted to deduct under § 163 or § 164, as applicable, an amount greater than the amount the homeowner has paid from the Homeowner's own sources. Section 4 of this revenue procedure provides guidance to States, as defined in section 3.02(6) of this revenue procedure, and mortgage lenders and servicers regarding information reporting requirements relating to certain HAF payments.

.13 The safe harbor provided in section 3 of this revenue procedure is similar to the safe harbor provided in Notice 2018-63, 2018-34 I.R.B. 318, for the Housing Finance Agency Innovation Fund for the Hardest Hit Markets (HFA Hardest Hit Fund), authorized by section 109 of the Emergency Economic Stabilization Act, Division A of Pub. L. 110-343,

112 Stat. 3774 (2008). Funding under HFA Hardest Hit Fund is available for, but not limited to, programs involving the following transactions: mortgage modifications; principal forbearance to facilitate additional mortgage modifications; short sales and deeds-in-lieu of foreclosure; unemployment programs; principal reductions for homeowners with severe negative equity; and second-lien reductions and modifications.

SECTION 3. SAFE HARBOR METHODS FOR COMPUTING DEDUCTIONS FOR QUALIFIED RESIDENCE MORTGAGE INTEREST AND REAL ESTATE TAXES

.01 *Scope.* This revenue procedure applies to a Homeowner, as defined in section 3.02(2) of this revenue procedure, if:

(1) The Homeowner receives a payment from, or a payment is made on the Homeowner's behalf by, a State, as defined in section 3.02(6) of this revenue procedure;

(2) The payment is made with funds from the HAF;

(3) The payment is used to pay qualified expenses, as defined in section 3.02(4) of this revenue procedure, of the Homeowner, and at least one of the expenses is a qualified housing payment expense, as defined in section 3.02(5) of this revenue procedure;

(4) The Homeowner has also paid a portion of the qualified housing payment expense from the Homeowner's own sources, as defined in section 3.02(3) of this revenue procedure;

(5) The Homeowner itemizes deductions on the Homeowner's Federal income tax return;

(6) The Homeowner would meet the requirements of § 163(h)(3) to deduct qualified mortgage interest expenses, defined in section 3.02(5)(a) of this revenue procedure, if the Homeowner paid the qualified mortgage interest expenses from the Homeowner's own sources; and

(7) The Homeowner would meet the requirements of § 164(a)(1) to deduct qualified real property tax expenses, defined in section 3.02(5)(b) of this revenue procedure (determined without regard to § 164(b)(6)(B)), if the Homeowner paid

the qualified real property tax expenses from the Homeowner's own sources.

.02 Definitions.

(1) *HAF payment.* A HAF payment is a payment by a State with funds allocated from the HAF to pay qualified expenses of a Homeowner.

(2) *Homeowner.* The term "Homeowner" means an individual homeowner who satisfies the requirements of section 3206(c)(2) of the ARP and who resides in a State.

(3) *Homeowner's own sources.* Payments are considered to be made from a Homeowner's own sources if they are out-of-pocket payments that are not made from the HAF or other Federal, State or local government financial assistance programs.

(4) *Qualified expense.* The term "qualified expense" has the same meaning as in section 3206(c)(1) of the ARP. For example, a qualified expense includes, but is not limited to, mortgage payment assistance; financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing related costs related to a period of forbearance, delinquency, or default; principal reduction; facilitating interest rate reductions; and payment assistance for: (a) utilities, including electric, gas, home energy, and water; (b) internet service, including broad band internet access service, as defined in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation); (c) homeowner's insurance, flood insurance, and mortgage insurance; and (d) homeowner's association, condominium association fees, or common charges.

(5) *Qualified housing payment expense.* A qualified housing payment expense means:

(a) *Qualified mortgage interest expenses,* which are qualified residence interest (defined in § 163(h)(3)) and mortgage insurance premiums treated as interest (defined in § 163(h)(3)(E)) that are related to a mortgage (defined in section 3206(b)(4) of the ARP) on a qualified residence (defined in § 163(h)(4)) that is a principal residence; and

(b) *Qualified real property tax expenses,* which are State and local (but not foreign) taxes (within the meaning of § 164(a)) assessed on a principal residence.

(6) *State.* The term "State" includes all fifty states of the United States and the District of Columbia and any agency or instrumentality of the foregoing. Unlike section 3206(b)(7) of the ARP, the term "State" excludes the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

.03 In general. The COVID-19 pandemic is a qualified disaster within the meaning of § 139(c). A HAF payment is a *qualified disaster relief payment* within the meaning of § 139(b)(4). As a result, such payments are not included in the Homeowner's gross income. In accordance with § 139(h), a Homeowner that receives a HAF payment, or on whose behalf a HAF payment is made, for qualified expenses cannot take a deduction or credit with respect to such expenses.

.04 Safe harbor methods.

(1) *Safe harbor for allocation of HAF payments.* A Homeowner within the scope of section 3.01 of this revenue procedure may first allocate the HAF payments to qualified expenses that are not qualified housing payment expenses before allocating the remaining portion of the HAF payments to qualified housing payment expenses.

(2) *Deduction safe harbor.* For taxable years beginning on or after January 1, 2021, and before January 1, 2026, a Homeowner within the scope of section 3.01 of this revenue procedure may use this safe harbor to calculate the Homeowner's itemized deduction for qualified mortgage interest expenses and/or qualified real property tax expenses (subject to the limitations in § 163(h)(3)(E) and § 164(b)(6)(B)) on the Homeowner's Federal income tax return for taxable years 2021 through 2025, the lesser of:

(a) The sum of all payments the Homeowner actually makes from the Homeowner's own sources during the taxable year to the mortgage servicer; or

(b) The sum of amounts shown on Form 1098, *Mortgage Interest Statement*, for qualified housing payment expenses.

SECTION 4. INFORMATION REPORTING OBLIGATIONS

.01 Information reporting by States.

(1) *Payments to or on behalf of Homeowners - reporting to Homeowners.* Section 6041 of the Code requires every person engaged in a trade or business (including the United States or a State, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of the foregoing) to file an information return for each calendar year in which the person makes in the course of its trade or business payments to another person of fixed or determinable income aggregating \$600 or more, and to furnish a written statement to that person. See § 6041(a) and (d) and § 1.6041-1 of the Income Tax Regulations. Generally, such payments are reported on Form 1099-MISC, *Miscellaneous Information*. Because HAF payments made to or on behalf of Homeowners are excluded from the gross income of the Homeowners, they are not fixed or determinable income under § 6041 and information reporting for such payments is not required.

(2) *Payments to third parties on behalf of Homeowners - reporting to third parties.*

(a) HAF payments that are made directly to third parties on behalf of Homeowners, such as payments made to insurance companies and homeowners associations, are generally reportable to those third parties under § 6041 if they constitute fixed or determinable income to the third party and the aggregate payments meet the \$600 reporting threshold. Exceptions to the reporting requirements, including an exception for payments to exempt recipients such as corporations, are provided in § 1.6041-3.

(b) If a State makes a HAF payment to a service provider on behalf of a Homeowner, such as for essential repairs, that payment would be reportable under § 6041A of the Code. Section 6041A requires a service-recipient engaged in a trade or business who pays a person remuneration for services aggregating \$600 or more to file a return reporting such remuneration, and to furnish a written statement to that person. Generally, such payments are reported on Form 1099-NEC,

Nonemployee Compensation. The exceptions set forth in § 1.6041-3 apply. See Notice 2001-38, 2001-1 I.R.B. 1334 (June 11, 2001).

.02. *Information reporting by lender or mortgage servicer.*

(1) *Reporting of mortgage interest received.* Section 6050H(a) of the Code requires every person engaged in a trade or business to file an information return for each calendar year in which the person receives in the course of its trade or business payments from an individual of interest on a mortgage aggregating \$600 or more. Form 1098, *Mortgage Interest Statement*, is used for this reporting. Section 6050H(d) further requires that a written statement be furnished to that individual. The regulations provide that interest received from a governmental unit or an agency or instrumentality of a governmental unit is not interest received on a mortgage. Section 1.6050H-1(e)(3)(ii). Therefore, lenders who receive a Homeowner's mortgage payments directly from a State should not report the interest received from the State on Form 1098 as interest received on the Homeowner's mortgage.

(2) *Reporting mortgage insurance premiums received.* Section 6050H(h) and § 1.6050H-3 also provide for the reporting of mortgage insurance premiums

treated as interest, defined in § 163(h)(3)(E), received by a person, in the course of a trade or business, from any individual. Mortgage insurance premiums treated as interest aggregating \$600 or more for any calendar year, during periods to which § 163(h)(3)(E) applies, must be reported, without regard to source. See § 1.6050H-3(b). Form 1098 is used for this reporting.

(3) *Information Reporting penalties.* Section 6721 of the Code imposes penalties on a person for failing to file an information return, failing to include all required information, or including incorrect information. Section 6722 of the Code imposes penalties on a person for failing to furnish a payee statement, failing to include all required information, or including incorrect information on a payee statement. Section 6724 of the Code provides that these penalties will not be imposed if the failure is due to reasonable cause and not due to willful neglect. If a lender files and furnishes a Form 1098 that includes mortgage interest received directly from the State, thereby reporting an incorrect amount of interest on the information return, the lender will not be subject to penalties under §§ 6721 and 6722 so long as the lender notifies the Homeowner that the amounts reported on the Form 1098 are overstated because

they include payments from a governmental unit or an agency or instrumentality of a governmental unit, and sets forth the amount of the overstatement. Such notification to the Homeowner should be made at the time the Form 1098 is furnished or within 30 days thereafter, and can be provided in a separate statement (written or electronic), or included on Form 1098 in Box 10 labeled "Other".

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective on November 8, 2021, and applies to qualified expenses paid after January 21, 2020.

SECTION 6. DRAFTING INFORMATION

The principal authors of this revenue procedure are Theresa Melchiorre of the Office of the Associate Chief Counsel (Income Tax & Accounting) and Nancy Rose of the Office of the Associate Chief Counsel (Procedure & Administration). For further information regarding this revenue procedure, contact Ms. Melchiorre at (202) 317-4643 (not a toll-free number) or for questions related to information reporting, Ms. Rose at (202) (202) 317-5147 (not a toll-free number).

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the

new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.

ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.

PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

Bulletin 2021–48

Announcements:

2021-12, 2021-31 I.R.B. 267
2021-13, 2021-33 I.R.B. 314
2021-14, 2021-33 I.R.B. 315

AOD:

2021-4, 2021-47 I.R.B. 725

Notices:

2021-39, 2021-27 I.R.B. 3
2021-40, 2021-28 I.R.B. 15
2021-41, 2021-29 I.R.B. 17
2021-42, 2021-29 I.R.B. 19
2021-38, 2021-30 I.R.B. 155
2021-44, 2021-31 I.R.B. 166
2021-45, 2021-31 I.R.B. 170
2021-47, 2021-32 I.R.B. 269
2021-46, 2021-33 I.R.B. 303
2021-48, 2021-33 I.R.B. 305
2021-49, 2021-34 I.R.B. 316
2021-43, 2021-35 I.R.B. 332
2021-50, 2021-35 I.R.B. 333
2021-51, 2021-36 I.R.B. 361
2021-52, 2021-38 I.R.B. 381
2021-53, 2021-39 I.R.B. 438
2021-54, 2021-41 I.R.B. 457
2021-55, 2021-41 I.R.B. 461
2021-58, 2021-43 I.R.B. 660
2021-59, 2021-43 I.R.B. 664
2021-57, 2021-44 I.R.B. 706
2021-56, 2021-45 I.R.B. 716
2021-60, 2021-45 I.R.B. 719
2021-35, 2021-46 I.R.B. 723
2021-61, 2021-47 I.R.B. 738

Proposed Regulations:

REG-107705-21, 2021-30 I.R.B. 162
REG-102951-16, 2021-32 I.R.B. 272
REG-109077-21, 2021-39 I.R.B. 445
REG-100718-21, 2021-42 I.R.B. 653
REG-107707-21, 2021-42 I.R.B. 657

Revenue Procedures:

2021-28, 2021-27 I.R.B. 5
2021-29, 2021-27 I.R.B. 12
2021-24, 2021-29 I.R.B. 19
2021-14, 2021-30 I.R.B. 158
2021-30, 2021-31 I.R.B. 172
2021-31, 2021-33 I.R.B. 324
2021-33, 2021-34 I.R.B. 327

Revenue Procedures:—Continued

2021-34, 2021-35 I.R.B. 337
2021-35, 2021-35 I.R.B. 355
2021-36, 2021-35 I.R.B. 357
2021-37, 2021-38 I.R.B. 385
2021-38, 2021-38 I.R.B. 425
2021-39, 2021-38 I.R.B. 426
2021-40, 2021-38 I.R.B. 426
2021-41, 2021-39 I.R.B. 443
2021-32, 2021-42 I.R.B. 465
2021-44, 2021-42 I.R.B. 469
2021-42, 2021-43 I.R.B. 666
2021-46, 2021-47 I.R.B. 740
2021-45, 2021-48 I.R.B. 764
2021-47, 2021-48 I.R.B. 775

Revenue Rulings:

2021-12, 2021-27 I.R.B. 1
2021-13, 2021-30 I.R.B. 152
2021-14, 2021-31 I.R.B. 164
2021-19, 2021-42 I.R.B. 470
2021-15, 2021-35 I.R.B. 331
2021-16, 2021-36 I.R.B. 359
2021-17, 2021-37 I.R.B. 362
2021-18, 2021-40 I.R.B. 447
2021-21, 2021-44 I.R.B. 704
2021-22, 2021-47 I.R.B. 726

Treasury Decisions:

9951, 2021-30 I.R.B. 25
9952, 2021-39 I.R.B. 428
9953, 2021-39 I.R.B. 430
9956, 2021-41 I.R.B. 449
9957, 2021-41 I.R.B. 452
9955, 2021-42 I.R.B. 471

¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2021–27 through 2021–52 is in Internal Revenue Bulletin 2021–52, dated December 27, 2021.

Finding List of Current Actions on Previously Published Items¹

Bulletin 2021-48

¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2021-27 through 2021-52 is in Internal Revenue Bulletin 2021-52, dated December 27, 2021.

Internal Revenue Service

Washington, DC 20224

Official Business
Penalty for Private Use, \$300

INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at www.irs.gov/irb/.

We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (www.irs.gov) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.