



IRS Announces Pension Plan Limitations for 2008

IR-2007-171, Oct. 18, 2007

WASHINGTON — The Internal Revenue Service today announced cost of living adjustments applicable to dollar limitations for pension plans and other items for Tax Year 2008.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the Commissioner annually adjust these limits for cost of living increases.

Many of the pension plan limitations will change for 2008 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, for others, the limitation will remain unchanged. For example, the limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) remains unchanged at \$15,500. This limitation affects elective deferrals to Section 401(k) plans and to the Federal Government's Thrift Savings Plan, among other plans.

Effective January 1, 2008, the limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) is increased from \$180,000 to \$185,000. For participants who separated from service before January 1, 2008, the limitation for defined benefit plans under Section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2007, by 1.0236.

The limitation for defined contribution plans under Section 415(c)(1)(A) is increased from \$45,000 to \$46,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). These dollar amounts and the adjusted amounts are as follows:

The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) remains unchanged at \$15,500.

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$225,000 to \$230,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$145,000 to \$150,000.

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from \$915,000 to \$935,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from \$180,000 to \$185,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$100,000 to \$105,000.

The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$5,000. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$2,500.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$335,000 to \$345,000.

The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$500.

The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts remains unchanged at \$10,500.

The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations remains unchanged at \$15,500.

The compensation amounts under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$90,000. The compensation amount under Section 1.61 21(f)(5)(iii) is increased from \$180,000 to \$185,000.

The Code also provides that several pension-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). These dollar amounts and the adjustments are as follows:

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing a joint return is increased from \$31,000 to \$32,000; the limitation under Section 25B(b)(1)(B) is increased from \$34,000 to \$34,500; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), from \$52,000 to \$53,000.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$23,250 to \$24,000; the limitation under Section 25B(b)(1)(B) is increased from \$25,500 to \$25,875; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), from \$39,000 to \$39,750.

The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers is increased from \$15,500 to \$16,000; the limitation under Section 25B(b)(1)(B) is increased from \$17,000 to \$17,250; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), from \$26,000 to \$26,500.

The applicable dollar amount under Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from \$83,000 to \$85,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$52,000 to \$53,000. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$156,000 to \$159,000.

The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(I) for determining the maximum Roth IRA contribution for taxpayers filing a joint return or as a qualifying widow(er) is increased from \$156,000 to \$159,000. The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$99,000 to \$101,000.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

[Subscribe to IRS Newswire](#)

SECTION 3. 2008 ADJUSTED ITEMS

.01 *Tax Rate Tables.* For taxable years beginning in 2008, the tax rate tables under § 1 are as follows:

TABLE 1 - Section 1(a) - Married Individuals Filing Joint Returns and Surviving Spouses

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$16,050	10% of the taxable income
Over \$16,050 but not over \$65,100	\$1,605 plus 15% of the excess over \$16,050
Over \$65,100 but not over \$131,450	\$8,962.50 plus 25% of the excess over \$65,100
Over \$131,450 but not over \$200,300	\$25,550 plus 28% of the excess over \$131,450
Over \$200,300 but not over \$357,700	\$44,828 plus 33% of the excess over \$200,300
Over \$357,700	\$96,770 plus 35% of the excess over \$357,700

TABLE 2 - Section 1(b) – Heads of Households

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$11,450	10% of the taxable income
Over \$11,450 but not over \$43,650	\$1,145 plus 15% of the excess over \$11,450
Over \$43,650 but not over \$112,650	\$5,975 plus 25% of the excess over \$43,650
Over \$112,650 but not over \$182,400	\$23,225 plus 28% of the excess over \$112,650
Over \$182,400 but not over \$357,700	\$42,755 plus 33% of the excess over \$182,400
Over \$357,700	\$100,604 plus 35% of the excess over \$357,700

TABLE 3 - Section 1(c) – Unmarried Individuals (other than Surviving Spouses and Heads of Households).

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$8,025	10% of the taxable income
Over \$8,025 but not over \$32,550	\$802.50 plus 15% of the excess over \$8,025
Over \$32,550 but not over \$78,850	\$4,481.25 plus 25% of the excess over \$32,550
Over \$78,850 but not over \$164,550	\$16,056.25 plus 28% of the excess over \$78,850
Over \$164,550 but not over \$357,700	\$40,052.25 plus 33% of the excess over \$164,550
Over \$357,700	\$103,791.75 plus 35% of the excess over \$357,700

TABLE 4 - Section 1(d) – Married Individuals Filing Separate Returns

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$8,025	10% of the taxable income
Over \$8,025 but not over \$32,550	\$802.50 plus 15% of the excess over \$8,025
Over \$32,550 but not over \$65,725	\$4,481.25 plus 25% of the excess over \$32,550
Over \$65,725 but not over \$100,150	\$12,775 plus 28% of the excess over \$65,725
Over \$100,150 but not over \$178,850	\$22,414 plus 33% of the excess over \$100,150
Over \$178,850	\$48,385 plus 35% of the excess over \$178,850

TABLE 5 - Section 1(e) – Estates and Trusts

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$2,200	15% of the taxable income
Over \$2,200 but not over \$5,150	\$330 plus 25% of the excess over \$2,200
Over \$5,150 but not over \$7,850	\$1,067.50 plus 28% of the excess over \$5,150
Over \$7,850 but not over \$10,700	\$1,823.50 plus 33% of the excess over \$7,850
Over \$10,700	\$2,764 plus 35% of the excess over \$10,700

.02 *Unearned Income of Minor Children Taxed as if Parent's Income (the "Kiddie Tax").* For taxable years beginning in 2008, 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 \$900. This amount is the same as the \$900 standard deduction amount provided in section 3.11(2) of this revenue procedure. The same \$900 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 2008 must be more than \$900 but less than \$9,000.

.03 *Adoption Credit.* For taxable years beginning in 2008, under § 23(a)(3) the credit allowed for an adoption of a child with special needs is \$11,650. For taxable years beginning in 2008, under § 23(b)(1) the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$11,650. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$174,730 and is completely phased out for taxpayers with modified adjusted gross income of \$214,730 or more. (See section 3.15 of this revenue procedure for the adjusted items relating to adoption assistance programs.)

.04 Child Tax Credit. For taxable years beginning in 2008, the value used in § 24(d)(1)(B)(i) to determine the amount of credit under § 24 that may be refundable is \$12,050.

.05 Hope and Lifetime Learning Credits.

(1) For taxable years beginning in 2008, the Hope Scholarship Credit under § 25A(b)(1) is an amount equal to 100 percent of qualified tuition and related expenses not in excess of \$1,200 plus 50 percent of those expenses in excess of \$1,200, but not in excess of \$2,400. Accordingly, the maximum Hope Scholarship Credit allowable under § 25A(b)(1) for taxable years beginning in 2008 is \$1,800.

(2) For taxable years beginning in 2008, a taxpayer's modified adjusted gross income in excess of \$48,000 (\$96,000 for a joint return) is used to determine the reduction under § 25A(d)(2)(A)(ii) in the amount of the Hope Scholarship and Lifetime Learning Credits otherwise allowable under § 25A(a).

.06 Elective Deferrals and IRA Contributions by Certain Individuals. For taxable years beginning in 2008, the applicable percentage under § 25B(b) is determined based on the following amounts:

Modified Adjusted Gross Income

<i>Joint Return</i>		<i>Head of Household</i>		<i>All Other Cases</i>		
<i>Over</i>	<i>Not Over</i>	<i>Over</i>	<i>Not Over</i>	<i>Over</i>	<i>Not over</i>	<i>Applicable Percentage</i>
\$ 0	\$32,000	\$ 0	\$24,000	\$ 0	\$16,000	50%
\$32,000	\$34,500	\$24,000	\$25,875	\$16,000	\$17,250	20%
\$34,500	\$53,000	\$25,875	\$39,750	\$17,250	\$26,500	10%
\$53,000		\$39,750		\$26,500		0%

.07 Earned Income Credit.

(1) *In general.* For taxable years beginning in 2008, 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.

Number of Qualifying Children

<i>Item</i>	<i>One</i>	<i>Two or More</i>	<i>None</i>
Earned Income Amount	\$ 8,580	\$12,060	\$ 5,720
Maximum Amount of Credit	\$ 2,917	\$ 4,824	\$ 438
Threshold Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$15,740	\$15,740	\$ 7,160
Completed Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$33,995	\$38,646	\$12,880
Threshold Phaseout Amount (Married Filing Jointly)	\$18,740	\$18,740	\$10,160
Completed Phaseout Amount (Married Filing Jointly)	\$36,995	\$41,646	\$15,880

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 2008, the earned income tax credit is not allowed under § 32(i) if the aggregate amount of certain investment income exceeds \$2,950.

.08 Low-Income Housing Credit. For calendar year 2008, 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) \$2.00 multiplied by the State population, or (2) \$2,325,000.

.09 Alternative Minimum Tax Exemption for a Child Subject to the "Kiddie Tax." For taxable years beginning in 2008, for a child to whom the §1(g) "kiddie tax" applies, the exemption amount under §§ 55 and 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (1) the child's earned income for the taxable year, plus (2) \$6,400.

.10 Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees under Accountable Plans. For calendar year 2008, an eligible employer may pay certain welders and heavy equipment mechanics an amount of up to \$15 per hour for rig-related expenses that is deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002-41. If the employer provides fuel or otherwise reimburses fuel expenses, up to \$9 per hour is deemed substantiated if paid under Rev. Proc. 2002-41.

.11 Standard Deduction.

(1) *In general.* For taxable years beginning in 2008, 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(a))	\$10,900
Heads of Households (§ 1(b))	\$ 8,000
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(c))	\$ 5,450
Married Individuals Filing Separate Returns (§ 1(d))	\$ 5,450

(2) *Dependent.* For taxable years beginning in 2008, 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) \$900, or (2) the sum of \$300 and the individual's earned income.

(3) *Aged or blind.* For taxable years beginning in 2008, the additional standard deduction amount under § 63(f) for the aged or the blind is \$1,050. These amounts are increased to \$1,350 if the individual is also unmarried and not a surviving spouse.

.12 *Overall Limitation on Itemized Deductions.* For taxable years beginning in 2008, the “applicable amount” of adjusted gross income under § 68(b), above which the amount of otherwise allowable itemized deductions is reduced under § 68, is \$159,950 (or \$79,975 for a separate return filed by a married individual).

.13 *Qualified Transportation Fringe.* For taxable years beginning in 2008, 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 \$115. The monthly limitation under § 132(f)(2)(B), regarding the fringe benefit exclusion amount for qualified parking, is \$220.

.14 *Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses.* For taxable years beginning in 2008, 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 \$100,650 for joint returns and \$67,100 for other returns. The exclusion is completely phased out for modified adjusted gross income of \$130,650 or more for joint returns and \$82,100 or more for other returns.

.15 *Adoption Assistance Programs.* For taxable years beginning in 2008, 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 \$11,650. For taxable years beginning in 2008, 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 other adoptions by the employee is \$11,650. 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 \$174,730 and is completely phased out for taxpayers with modified adjusted gross income of \$214,730 or more. (See section 3.03 of this revenue procedure for the adjusted items relating to the adoption credit.)

.16 *Private Activity Bonds Volume Cap.* For calendar year 2008, the amounts used under § 146(d)(1) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) \$85 multiplied by the State population, or (2) \$262,095,000.

.17 *General Arbitrage Rebate Rules.* For bond years ending in 2008, the amount of the computation credit determined under § 1.148-3(d)(4) of the proposed Income Tax Regulations is \$1,430.

.18 *Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow.* For calendar year 2008, 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) \$34,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(2)) or, if more, \$3,000; and (2) the issuer does not treat more than \$95,000 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.

.19 *Personal Exemption.*

(1) *Exemption amount.* For taxable years beginning in 2008, the personal exemption amount under § 151(d) is \$3,500. The exemption amount for taxpayers with adjusted gross income in excess of the maximum phaseout amount is \$2,333 for taxable years beginning in 2008.

(2) *Phaseout.* For taxable years beginning in 2008, the personal exemption amount begins to phase out at, and reaches the maximum phaseout amount after, the following adjusted gross income amounts:

<i>Filing Status</i>	<i>AGI – Beginning of Phaseout</i>	<i>AGI – Maximum Phaseout</i>
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(a))	\$239,950	\$362,450
Heads of Households (§ 1(b))	\$199,950	\$322,450
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(c))	\$159,950	\$282,450
Married Individuals Filing Separate Returns (§ 1(d))	\$119,975	\$181,225

.20 *Election to Expense Certain Depreciable Assets.* For taxable years beginning in 2008, under § 179(b)(1) the aggregate cost of any § 179 property a taxpayer may elect to treat as an expense can not exceed \$128,000. Under § 179(b)(2) the \$128,000 limitation is reduced (but not below zero) by the amount by which the cost of § 179 property placed in service during the 2008 taxable year exceeds \$510,000.

.21 *Eligible Long-Term Care Premiums.* For taxable years beginning in 2008, 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	\$ 310
More than 40 but not more than 50	\$ 580
More than 50 but not more than 60	\$1,150
More than 60 but not more than 70	\$3,080
More than 70	\$3,850

.22 *Retirement Savings.*

(1) For taxable years beginning in 2008, the applicable dollar amount under § 219(g)(3)(B)(i) for taxpayers filing a joint return is \$85,000. If the taxpayer's spouse is not an active participant, the applicable dollar amount for the spouse under § 219(g)(3)(B)(i) is \$159,000 for taxable years beginning in 2008.

(2) For taxable years beginning in 2008, the applicable dollar amount under § 219(g)(3)(B)(ii) for all other taxpayers (except for married taxpayers filing separately) is \$53,000.

(3) The applicable dollar amount under § 219(g)(3)(B)(iii) for married taxpayers filing separately is \$0.

.23 *Medical Savings Accounts.*

(1) *Self-only coverage.* For taxable years beginning in 2008, 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 \$1,950 and not more than \$2,900, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits does not exceed \$3,850.

(2) *Family coverage.* For taxable years beginning in 2008, the term “high deductible health plan” means, for family coverage, a health plan that has an annual deductible that is not less than \$3,850 and not more than \$5,800, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits does not exceed \$7,050.

.24 *Interest on Education Loans.* For taxable years beginning in 2008, 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 \$55,000 (\$115,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$70,000 or more (\$145,000 or more for joint returns).

.25 *Roth IRAs.*

(1) For taxable years beginning in 2008, the applicable dollar amount under § 408A(c)(3)(C)(ii)(I) for taxpayers filing a joint return is \$159,000.

(2) For taxable years beginning in 2008, the applicable dollar amount under § 408A(c)(3)(C)(ii)(II) for all other taxpayers (except for married taxpayers filing separately) is \$101,000.

(3) The applicable dollar amount under § 408A(c)(3)(C)(ii)(III) for married taxpayers filing separately is \$0.

.26 *Treatment of Dues Paid to Agricultural or Horticultural Organizations.* For taxable years beginning in 2008, 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 \$139.

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

(1) *Low cost article.* For taxable years beginning in 2008, the unrelated business income of certain exempt organizations under § 513(h)(2) does not include a “low cost article” of \$9.10 or less.

(2) *Other insubstantial benefits.* For taxable years beginning in 2008, 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 disregarding the value of insubstantial benefits received by a donor in return for a fully deductible charitable contribution under § 170, are \$9.10, \$45.50, and \$91, respectively.

.28 *Funeral Trusts.* For a contract entered into during calendar year 2008 for a “qualified funeral trust,” as defined in § 685, the trust may not accept aggregate contributions by or for the benefit of an individual in excess of \$9,000.

.29 *Expatriation to Avoid Tax.* For calendar year 2008, an individual with “average annual net income tax” of more than \$139,000 for the five taxable years ending before the date of the loss of United States citizenship under § 877(a)(2)(A) is subject to tax under § 877(b).

.30 *Foreign Earned Income Exclusion.* For taxable years beginning in 2008, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$87,600.

.31 *Valuation of Qualified Real Property in Decedent's Gross Estate.* For an estate of a decedent dying in calendar year 2008, 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 can not exceed \$960,000.

.32 *Annual Exclusion for Gifts.*

(1) For calendar year 2008, the first \$12,000 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 2008, the first \$128,000 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.

.33 *Tax on Arrow Shafts.* For calendar year 2008, 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 \$0.43 per shaft.

.34 *Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures.* For taxable years beginning in 2008, 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 \$97 or less.

.35 *Notice of Large Gifts Received from Foreign Persons.* For taxable years beginning in 2008, recipients of gifts from certain foreign persons may be required to report these gifts under § 6039F if the aggregate value of gifts received in a taxable year exceeds \$13,561.

.36 *Persons Against Whom a Federal Tax Lien Is Not Valid.* For calendar year 2008, 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 \$1,320, or (2) a mechanic's lienor under § 6323(b)(7) that repaired or improved certain residential property if the contract price with the owner is not more than \$6,600.

.37 *Property Exempt from Levy.* For calendar year 2008, 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) can not exceed \$7,900. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) can not exceed \$3,950.

.38 *Interest on a Certain Portion of the Estate Tax Payable in Installments.* For an estate of a decedent dying in calendar year 2008, 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 \$1,280,000.

.39 *Attorney Fee Awards.* For fees incurred in calendar year 2008, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$170 per hour.

.40 *Periodic Payments Received under Qualified Long-Term Care Insurance Contracts or under Certain Life Insurance Contracts.* For calendar year 2008, 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 \$270.

SECTION 4. EFFECTIVE DATE

.01 *General Rule.* Except as provided in section 4.02, this revenue procedure applies to taxable years beginning in 2008.

.02 *Calendar Year Rule.* This revenue procedure applies to transactions or events occurring in calendar year 2008 for purposes of sections 3.08 (low-income housing credit), 3.10 (transportation mainline pipeline construction industry optional expense substantiation rules for payments to employees under accountable plans), 3.16 (private activity bond volume cap), 3.17 (general arbitrage rebate rules), 3.18 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 3.28 (funeral trusts), 3.29 (expatriation to avoid tax), 3.31 (valuation of qualified real property in decedent's gross estate), 3.32 (annual exclusion for gifts), 3.33 (tax on arrow shafts), 3.36 (persons against whom a federal tax lien is not valid), 3.37 (property exempt from levy), 3.38 (interest on a certain portion of the estate tax payable in installments), 3.39 (attorney fee awards), and 3.40 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts).

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Marnette M. Myers of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Ms. Myers at (202) 622-4920 (not a toll-free call).