

# Tax reform strikes again: 2018 COLAs redetermined, 2019 penalties announced

The IRS adjusts many tax figures for inflation every year. These cost-of-living changes are measured by changes to the consumer price indices. The Tax Cuts and Jobs Act—the new tax reform law—slows down increases by pegging them to the “chained CPI.” The chained CPI, which became effective for inflation adjustments determined as of Jan. 1, 2018, has forced the IRS to recalculate some key figures. Here’s the rundown. (*Rev. Proc. 2018-18, IRB 2018-10*)

## 2018 changes to benefit COLAs

Although the pretax deferral amount into 401(k) plans didn’t change as a result of the TCJA (a relief to employees and employers alike), a couple of health benefit COLAs decreased. These changes are effective retroactive to Jan. 1, 2018.

- The average annual wages for the small employer tax credit decreases to \$26,600, from \$26,700
- The maximum amount employees with family coverage under a high deductible health plan can contribute to an HSA on a pretax basis decreases to \$6,850, from \$6,900.

## 2018 standard deduction amounts

Long before the TCJA was a twinkle in any legislator’s eyes, the IRS released the inflation-adjusted standard deduction and personal exemption amounts for 2018. As is widely known now, the TCJA suspends personal exemptions through 2025 and substantially increases the standard deduction amounts.

Employees may need these figures when they use the IRS’ [withholding calculator](#). The standard deduction amounts for 2018 are now:

- Married filing jointly and surviving spouses: \$24,000, up from \$13,000
- Heads of households: \$18,000, up from \$9,550
- Unmarried and married filing separately: \$12,000, up from \$6,500.

## 2019 information return penalties

Just in case you were thinking about not filing correct W-2s, 1095s, and 1099s next year, the IRS has released the penalties that will apply in 2019:

- The penalty for filing corrected forms within 30 days remains \$50. The calendar year maximum decreases to \$545,500, from \$547,000. The penalty for small employers remains \$191,000
- The penalty for filing corrected forms after the 30-day deadline, but by Aug. 1, remains \$100. The calendar year maximums decrease to \$1,637,500, from \$1,641,000, and to \$545,500, from \$547,000 for small employers
- The penalty for failing to file corrected forms after Aug. 1, remains \$270. The calendar year maximums decrease to \$3,275,500, from \$3,282,500, and \$1,091,500, from \$1,094,000, for small employers

- The minimum penalty for a failure to file due to an intentional disregard of the filing requirements remains \$540 or 10% of the aggregate amount of items required to be reported correctly.