



# TaxNewsFlash

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## Proposed regulations: Personal exemption at zero, implications for health plan premium tax credit

The U.S. Treasury Department and IRS today released for publication in the Federal Register a notice of proposed rulemaking (REG-124810-19) to clarify that the reduction of the personal exemption to zero does not affect an individual taxpayer's ability to claim a premium tax credit (relating to health insurance under section 36B).

The [proposed regulations](#) [PDF 294 KB] were published in the Federal Register on May 27, 2020, and comments or requests for a public hearing are due July 27, 2020.

### Summary

The 2017 tax law (Pub. L. No. 115-97)—the law that is often referred to as the "Tax Cuts and Jobs Act" (TCJA)—amended the personal exemption deduction under section 151 and provides that for a 10-year period (for tax years beginning after December 31, 2017, and before January 1, 2026), the "exemption amount" is zero.

However, the reduction of the exemption amount to zero is not taken into account for purposes of determining whether a deduction is available for any other provision of the Code—including the provision that allows eligible individuals who purchase coverage under a qualified health plan through a health insurance exchange to claim a premium tax credit under section 36B.

In late 2018, the IRS issued Notice 2018-84 announcing that the Treasury Department and IRS intend to amend existing guidance that is based in part on the personal exemption because the new U.S. tax law reduced the personal exemption deduction to zero for a 10-year period and provided guidance for the 2018 tax year. Read [TaxNewsFlash](#)

As noted in the preamble to today's release, the proposed regulations adopt the substance of the guidance in Notice 2018-84 by amending the regulations under sections 36B and 6011 to clarify that the reduction of the personal exemption deduction to zero does not affect the ability of individual taxpayers to claim the premium tax credit. Specifically, these proposed regulations amend the definition of family in Reg. section 1.36B-1(d) to provide that a taxpayer's family means the taxpayer, including both spouses in the case of a joint return (except for individuals who qualify as a dependent

of another taxpayer under section 152), and any other individual for whom the taxpayer is allowed a personal exemption deduction (taking into account section 152(d)(5)(B)) and whom the taxpayer properly reports on the taxpayer's income tax return for the tax year. The proposed regulations provide that an individual is reported on the taxpayer's income tax return if the individual's name and taxpayer identification number (TIN) are listed on the taxpayer's Form 1040 series return.

The preamble explains that the rules in these proposed regulations apply to tax years ending after the date of the Treasury decision adopting these regulations as final regulations, as published in the Federal Register. Taxpayers may rely on these proposed regulations for tax years to which section 151(d)(5) applies ending on or before that date.

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