

**FEBRUARY 2016 #481**

**KEY 2016 PENSION AND EMPLOYEE BENEFIT NUMBERS**

**KEY 2016 INCOME TAX RATES AND OTHER ESSENTIAL DATA**

**KEY 2016 ESTATE PLANNING INFLATION**

**ADJUSTMENTS**

**INTRODUCTION**

A number of figures used in the estate, financial, employee benefit, and income tax planning fields are subject to change or indexed for inflation. The following list—adapted from that found in ***TOOLS AND TECHNIQUES OF EMPLOYEE BENEFIT AND RETIREMENT PLANNING*, *TOOLS AND TECHNIQUES OF ESTATE PLANNING*,** and ***TOOLS AND TECHNIQUES OF CHARITABLE PLANNING*** (800-543-0874)—is an update of the latest figures available with a brief explanation of their applicability.

*The numbers presented in this issue of* ***Think About It*** *are current at the time of its publication. These figures (and discussions thereof) do not take into consideration any proposed or pending legislation. To stay up-to-date with the latest cases, rulings, legislation, and figures; and for commentary and the actual text of cases and rulings, subscribe to Steve Leimberg’s excellent LISI service, located at* http://www.leimbergservices.com*. Once you’ve logged in, you’ll find the latest numbers by clicking the maroon “Useful Numbers” tab at the top.*

Many of the annual adjustments to the numbers on these charts are based on the federal cost-of-living index. Because the federal cost-of-living index for the quarter ended September 30, 2015, is higher than the cost-of-living index for the quarter ended September 30 for the preceding year, some of the limits for 2016 are higher than those for 2015.

Unless otherwise indicated, all section references are to the Internal Revenue Code.

**PENSION BENEFIT GUARANTY CORPORATION**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| Maximum Monthly Guaranteed Benefit | $5,011 | **$5,011** |
| Flat Premium Rate | $57 | **$64** |

**IMPORTANT COLAs and SCHEDULED INCREASES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | 2015 | **2016** |
| **Limit for Defined Benefit Plans**  Sec. 415(b)(1)(A). Maximum yearly benefit allowed is the lesser of 100 percent of the average highest three years’ compensation or the indicated figure. Reductions apply for plans with pre-65 normal retirement ages and for participants with less than 10 years of service. | $210,000 | $210,000 | **$210,000**  (Indexed in $5,000 increments) |
| **Limit for Defined Contribution Plans**  Sec. 415(c)(1)(A). Maximum annual addition is lesser of these numbers. | $52,000 or 100% of compensation | $53,000 or 100% of compensation | **$53,000 or** 100% of compensation  (Indexed in $1,000 increments) |

**IMPORTANT COLAs and SCHEDULED INCREASES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | 2015 | **2016** |
| **Definition of Key Employee in Top-Heavy Plan**  Sec. 416(i)(1)(A)(i). A key employee is one who, during the prior year, was either (a) an officer with compensation in excess of the listed figure; (b) a 5% owner; or (c) a 1% owner with compensation over $150,000. Family Attribution rules apply in determining if a person is a 5% owner. | $170,000 | $170,000 | **$170,000**  (Indexed in $5,000 increments) |
| **Annual Limit on Includible Compensation**  Secs. 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii). This is the maximum amount of compensation that can be taken into account when determining an individual contribution to or benefit under a qualified retirement plan. | $260,000 | $265,000 | **$265,000**  (Indexed in $5,000 increments) |
| **Highly Compensated Employee**  Sec. 414(q)(1)(B). A highly compensated employee is one who, during the prior year, was either (a) a 5% owner; or (b) had compensation above the *listed figure*. The dollar limitation under Sec. 416(i)(1)(A)(i) concerning definition of Key Employee in top-heavy plan for **2016** is **$170,000.** | $115,000 | $120,000 | **$120,000**  (Indexed in $5,000 increments) |
| **Exclusion for Elective Deferrals for a 401(k), 403(b), SARSEP or Thrift Savings Plan**  Sec. 402(g). The indicated figure is the maximum salary reduction a participant can make. | $17,500 | $18,000 | **$18,000**  (Indexed in $500 increments) |

**IMPORTANT COLAs and SCHEDULED INCREASES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | 2015 | **2016** |
| **Maximum Elective Deferrals for a SIMPLE Plan**  Sec. 408(p)(2)(E). This is the maximum salary reduction a participant can take under a SIMPLE IRA or SIMPLE 401(k). | $12,000 | $12,500 | **$12,500**  (Indexed in $500 increments) |
| **Maximum 457 Salary Reduction**  Sec. 457(e)(15). Maximum deferral to nonqualified plans of state and local government and tax-exempt orgs. The limit is twice the otherwise applicable dollar limit in the three years before retirement. | $17,500 | $18,00 | **$18,000**  (Indexed in $500 increments) |
| **Part-time Employee Floor for a SEP**  Sec. 408(k)(2)(C). Employees who earn over the indicated limits must be included in a SEP if they are otherwise eligible. | $550 | $600 | **$600**  (Indexed in $50 increments) |
| **ESOP Maximum Amount**  Sec. 409(o)(1)(C)(ii). Determining lengthening of five-year distribution period. | $210,000/  $1,050,000 | $210,000/ $1,070,000 | **$210,000/ $1,070,000**  (Indexed for $5,000 increments) |
| **Deductible, Nondeductible, and Roth IRA Contribution Limits**  Sec. 219(b)(1)(A). This is the limit on how much can be contributed to an IRA. | $5,500 | $5,500 | **$5,500**  (Indexed in $500 increments) |
| **IRA Catch-Up Provision for Individuals 50 or Older by year end**  Sec. 219(a)(5)(B). This is the amount that can be contributed for those 50 and older by year end. The catch up is $1,000 in 2016. The listed number is the total amount that can be contributed. | $6,500 | $6,500 | **$6,500**  (Indexed in $500 increments) |

**2016 IRA Phaseout Limits**

**for Active Participants in a Qualified Plan**

**Modified Adjusted Gross Income (MAGI)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contributions to Traditional IRAs: Sec. 219(g)(3)(B)** | | | | |
| *Filing Status* | *Phaseout of Deduction* | *2014* | 2015 | **2016** |
| Married filing jointly | Begins | $96,000 | $98,000 | **$98,000** |
| Ends (i.e., no deduction) | $116,000 | $118,000 | **$118,000** |
| Single & HOH | Begins | $60,000 | $61,000 | **$61,000** |
| Ends | $70,000 | $71,000 | **$71,000** |
| Married Filing Separately | Begins | $0 | $0 | **$0** |
| Ends | $10,000 | $10,000 | **$10,000** |
| Nonworking spouse | Begins | $181,000 | $183,000 | **$184,000** |
| Ends | $191,000 | $193,000 | **$194,000** |

**What this means**: If a single-filing taxpayer participates in a qualified plan at work and earns less than $61,000 in 2016, he may use the full $5,500 IRA deduction. Once he earns more than $61,000, his deduction is phased out until he reaches $71,000, at which point he would no longer be entitled to an IRA deduction.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contributions to Roth IRAs: Sec. 408A(c)(3)** | | | | |
| *Filing Status* | *Phaseout of Contribution* | *2014* | 2015 | **2016** |
| Married filing jointly | Begins | $181,000 | $183,000 | **$184,000** |
| Ends (i.e., no contribution) | $191,000 | $193,000 | **$194,000** |
| Single & HOH | Begins | $114,000 | $116,000 | **$117,000** |
| Ends | $129,000 | $131,000 | **$132,000** |
| Married Filing Separately | Begins | $0 | $0 | **$0** |
| Ends | $10,000 | $10,000 | **$10,000** |

**What this means**: If a single-filing taxpayer has MAGI of less than $117,000 in 2016, he may still contribute to a Roth IRA. Once MAGI is more than $117,000, the amount he may contribute decreases until his income reaches $132,000, at which point he would no longer be entitled to make a contribution.

**2016 SOCIAL SECURITY TAX RATES**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | 2015 | **2016** |
| **Social Security Tax Rate**  These are the percentages the employer and employee are each taxed for Social Security purposes. | 7.65% for employees  7.65% for employers | 7.65% for employees  7.65% for employers | **7.65% for employees**  **7.65% for employers** |
| **Social Security Tax Rate**  **(Self-Employed**)  This is the percentage at which a self-employed individual is taxed for Social Security purposes. 12.4% is for Social Security while 2.9% is for Medicare. | 15.30% | 15.30% | **15.30%** |
| **Taxable Wage Base (Contribution and Benefit)** This “earned income ceiling” is the maximum amount of covered earnings on which Social Security OASDI taxes is paid. | $117,000 | $118,500 | **$118,500** |
| **Medicare Special Wage Base**  This is the maximum amount of covered earnings on which Social Security hospital insurance taxes are paid. | No Limit | No Limit | **No Limit** |

**Note:** The 7.65% employee rate is imposed on the taxable wage base of $118,500 in 2016. Earnings in excess of the FICA wage base are assessed only the Medicare portion of FICA. **In 2016**, the **employee and employer portions** of the Medicare assessment are both **1.45%**. For **self-employed taxpayers**, the combined tax is **2.9%.**

**High earners pay an additional 0.9% of Medicare tax** on earnings in excess of the following thresholds:

|  |  |
| --- | --- |
|  | **Threshold Amount** |
| Married Filing Jointly | $250,000 |
| Married Filing Separately | $125,000 |
| Other Taxpayers | $200,000 |

The 0.9% additional tax **applies only to the employee contribution** to Medicare. For **self-employed taxpayers over the threshold**, the combined Medicare tax in **2016** is **3.8%.**

**2016 MEDICARE PREMIUMS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | 2015 | **2016** |
| **Medicare Part B** |  |  |  |
| *Monthly Premium* | $104.90 | $104.90 | **$121.80** |
| *Deductible* | $147 | $147 | **$166** |
| **Medicare Part A** |  |  |  |
| *Monthly Premium* | $426 | $407 | **$411** |
| *Deductible* | $1,216 | $1,260 | **$1,288** |

**Medicare Part B**

Medicare Part B enrollees with higher incomes also pay higher Part B premiums based on their incomes. The income-related Part B premiums for 2016 increased to $170.50, $243.60, $316.70, or $389.80, depending on the extent to which an individual beneficiary’s income exceeds $85,000 (or a married couple’s income exceeds $170,000).

The highest premium rates are only paid by the less than 1 percent of beneficiaries whose incomes are over $214,000 (or $428,000 for a married couple). A beneficiary who pays the highest income-related premium in **2016** would pay **$4,677.60** per year in Part B premiums.

**Medicare Part A**

Medicare Part A is paid only by individuals who are not otherwise eligible for premium-free hospital insurance and have fewer than 40 quarters of Medicare-covered employment.

The Part A deductible is the beneficiary’s only cost for up to 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries must pay an additional **$322** per day for days 61 through 90 in **2016**, and **$644** per day for hospital stays beyond the 90th day for lifetime reserve days. The daily coinsurance for the 21st through 100th day in a skilled nursing facility will be **$161.00** in **2016**.

**2016 SOCIAL SECURITY QUALIFICATION**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | 2015 | **2016** |
| **Social Security Quarterly Earnings** (minimum of 40 quarters required) | $1,200 | $1,220 | **$1,260** |

**2016 SOCIAL SECURITY BENEFITS**

|  |  |
| --- | --- |
| **Maximum Monthly Benefit (at full retirement age)** | **$2,639 Per Month (Age 66)** |
| **Retirement Earnings Test Exempt Amount (under FRA):** One dollar in benefits will be withheld for every two dollars in earnings above the limit prior to reaching FRA. | **$15,720 Per Year**  **($1,310 Per Month)** |
| **Retirement Earnings Test Exempt Amount for months prior to FRA:** One dollar in benefits will be withheld for every three dollars in earnings above the limit but only for earnings before the month the taxpayer reaches FRA. There is no annual earnings limit for those who continue to work after reaching their FRA. | **$41,880 Per Year**  **($3,490 Per Month)** |
| **Substantial Gainful Activity Threshold Limits** |  |
| *Nonblind* | **$1,130 Per Month** |
| *Blind* | **$1,820 Per Month** |
| **SSI Federal Payment Amounts** |  |
| *Individuals* | **$733 Per Month** |
| *Couples* | **$1,100 Per Month** |
| **SSI Resources Limits** |  |
| *Individual* | **$2,000** |
| *Couple* | **$3,000** |
| **SSI Student Exclusion** |  |
| *Monthly* | **$1,780** |
| *Annually* | **$7,180** |
| **Trial Work Period (TWP)** | **$810 Per Month** |

**Full Retirement Age (FRA):** For retirees born in between 1943 and 1954, FRA is 66. For those born after 1954 but before 1960, FRA gradually increases to age 67. For those born in 1960 and later, FRA is 67.

**Substantial Gainful Activity:** To be eligible for disability benefits, a person must be unable to engage in substantial gainful activity, meaning he may not earn more than a certain monthly amount.

**2016 INCOME TAX RATE SCHEDULES**

**CORPORATE INCOME TAX RATES**

|  |  |
| --- | --- |
| **Taxable Income** | **Tax** |
| Not over **$50,000** | **15%** of the Taxable Income |
| Over **$50,000** but not over **$75,000** | **$7,500** plus **25%** of the excess over **$50,000** |
| Over **$75,000** but not over **$10,000,000** | **$13,750** plus **34%** of the excess over **$75,000** |
| Over **$10,000,000** | **$3,388,250** plus **35%** of the excess over **$10,000,000** |

**Note:** The lower brackets are phased out under two circumstances:

1. If taxable income exceeds $100,000, the tax is increased by the lesser of:

a. 5% of the excess of taxable income over $100,000; or

b. $11,750.

1. If taxable income exceeds $15,000,000, the tax is additionally increased by the lesser of:

a. 3% of the excess of taxable income over $15,000,000; or

b. $100,000.

**Note:** Because of the two phaseout provisions, corporations earning between $335,000 and $10 million pay a flat income tax of 34%. Corporations earning more than $18,333,333.33 pay a flat income tax of 35%.

**Note:** Unlike individual rate bracket amounts and other amounts adjusted annually for inflation, corporate rate bracket amounts are not adjusted for inflation.

**Note: Qualified Personal Services Corporations pay a flat 35% rate on all taxable income.**

**ESTATES AND TRUSTS**

|  |  |
| --- | --- |
| **Taxable Income** | **Tax** |
| Not over **$2,550** | **15%** of the taxable income |
| Over **$2,550** but not over **$5,950** | **$382.50** plus **25%** of the excess over **$2,550** |
| Over **$5,950** but not over **$9,050** | **$1,232.50** plus **28%** of the excess over **$5,950** |
| Over **$9,050** but not over **$12,400** | $**2,100.50** plus **33%** of the excess over **$9,050** |
| Over **$12,400** | **$3,206** plus **39.6%** of the excess over **$12,400** |

**2016 PERSONAL INCOME TAX RATE SCHEDULES**

**Married Individuals Filing Joint Returns**

**and surviving spouses**

|  |  |
| --- | --- |
| **Taxable Income** | **Tax** |
| Not over **$18,550** | **10%** of the taxable income |
| Over **$18,550** but not over **$75,300** | **$1,855** plus **15%** of the excess over **$18,550** |
| Over **$75,300** but not over **$151,900** | **$10,367.50** plus **25%** of the excess over **$75,300** |
| Over **$151,900** but not over **$231,450** | **$29,517.50** plus **28%** of the excess over **$151,900** |
| Over **$231,450** but not over **$413,350** | **$51,791.50** plus **33%** of the excess over **$231,450** |
| Over **$413,350** but not over **$466,950** | **$111,818.50** plus **35%** of the excess over **$413,350** |
| Over **$466,950** | **$130,578.50** plus **39.6%** of the excess over **$466,950** |

**Heads of Households**

|  |  |
| --- | --- |
| **Taxable Income** | **Tax** |
| Not over **$13,250** | **10%** of the taxable income |
| Over **$13,250** but not over **$50,400** | **$1,325** plus **15%** of the excess over **$13,250** |
| Over **$50,400** but not over **$130,150** | **$6,897.50** plus **25%** of the excess over **$50,400** |
| Over **$130,150** but not over **$210,800** | **$26,835** plus **28%** of the excess over **$130,150** |
| Over **$210,800** but not over **$413,350** | **$49,417** plus **33%** of the excess over **$210,800** |
| Over **$413,350** but not over **$441,000** | **$116,258.50** plus **35%** of the excess over **$413,350** |
| Over **$441,000** | **$125,936** plus **39.6%** of the excess over **$441,000** |

**Unmarried Individuals**

**(other than Surviving Spouse and Heads of Households)**

|  |  |
| --- | --- |
| **Taxable Income** | **Tax** |
| Not over **$9,275** | **10%** of the taxable income |
| Over **$9,275** but not over **$37,650** | **$927.50** plus **15%** of the excess over **$9,275** |
| Over **$37,650** but not over **$91,150** | **$5,183.75** plus **25%** of the excess over **$37,650** |
| Over **$91,150** but not over **$190,150** | **$18,558.75** plus **28%** of the excess over **$91,150** |
| Over **$190,150** but not over **$413,350** | **$46,278.75** plus **33%** of the excess over **$190,150** |
| Over **$413,350** but not over **$415,050** | **$119,934.75** plus **35%** of the excess over **$413,350** |
| Over **$415,050** | **$120,529.75** plus **39.6%** of the excess over **$415,050** |

**Married Individuals Filing Separate Returns**

|  |  |
| --- | --- |
| **Taxable Income** | **Tax** |
| Not over **$9,275** | **10%** of the taxable income |
| Over **$9,275** but not over **$37,650** | **$927.50** plus **15%** of the excess over **$9,275** |
| Over **$37,650** but not over **$75,950** | **$5,183.75** plus **25%** of the excess over **$37,650** |
| Over **$75,950** but not over **$115,725** | **$14,758.75** plus **28%** of the excess over **$75,950** |
| Over **$115,725** but not over **$206,675** | **$25,895.75** plus **33%** of the excess over **$115,725** |
| Over **$206,675** but not over **$233,475** | **$55,909.25** plus **35%** of the excess over **$206,675** |
| Over **$233,475** | **$65,289.25** plus **39.6%** of the excess over **$233,475** |

**2016 QUALIFIED DIVIDEND AND CAPITAL GAINS TAX RATES**

|  |  |  |
| --- | --- | --- |
| **Long-term Capital Gains and Qualified Dividend rates** | 2015 | **2016** |
| Taxpayers in the **10% and 15% income tax brackets** | 0% | **0%** |
| Taxpayers in the **25%, 28%, 33%, and 35% brackets** | 15% | **15%** |
| Taxpayers in the **39.6% bracket** | 20% | **20%** |

**Note**: Because of the 3.8% Medicare surtax (discussed immediately following), the effective capital gains rates for taxpayers can reach up to 23.8% for taxpayers in the 39.6% bracket and 18.8% for taxpayers in lower brackets.

**2016 MEDICARE SURTAX**

**Note: A 3.8% surtax applies to the lesser of net investment income or modified adjusted gross income in excess of the following threshold amounts (dependent upon filing status):**

|  |  |  |
| --- | --- | --- |
| **Filing Status** | 2015 | **2016** |
| Married individuals filing jointly | $250,000 | **$250,000** |
| Married filing separately | $125,000 | **$125,000** |
| Individual taxpayers | $200,000 | **$200,000** |

**2016 KIDDIE TAX**

**Note**: The “kiddie tax” brings children, who tend to be in a lower tax bracket, into their parents’ respective tax brackets for a portion of their unearned income.

|  |  |  |
| --- | --- | --- |
| **Net Unearned Income** | 2015 | **2016** |
| Net unearned income subject to the kiddie tax equals unearned income minus the greater of *this amount*, or | $2,100 | **$2,100** |
| The child’s itemized deductions (if applicable) plus *this amount*. | $1,050 | **$1,050** |
| **Eligibility for Parental Election** |  |  |
| For parents to elect to include the child’s income on their return, the child’s gross income from interest and dividends must exceed *this amount*; and | $1,050 | **$1,050** |
| Be less than *this amount*. | $10,500 | **$10,500** |
| **Impact of Parental Election** |  |  |
| Parents who elect to include the child’s income on their return must include in their gross income the child’s gross income minus *this amount*; and | $2,100 | **$2,100** |
| Must add to their tax the lesser of *this amount*; or | $105 | **$105** |
| 10% of the excess of the child’s gross income over *this amount*. | $1,050 | **$1,050** |
| **Alternative Minimum Tax Exemption Amount** |  |  |
| The AMT exemption for a child subject to the kiddie tax is limited to the sum of the child’s earned income plus *this amount*. | $7,400 | **$7,400** |

**Note**: *Unearned income* generally means anything other than wages, salaries, professional fees, or any other amounts received as compensation for personal services actually rendered.

**2016 STANDARD DEDUCTION**

|  |  |  |
| --- | --- | --- |
| **Basic Standard Deduction** | 2015 | **2016** |
| Married individuals filing joint returns and surviving spouses | $12,600 | **$12,600** |
| Heads of household | $9,250 | **$9,300** |
| Unmarried individuals (other than surviving spouses and heads of households) | $6,300 | **$6,300** |
| Married individuals filing separate returns | $6,300 | **$6,300** |
| **Additional standard deduction for the aged and the blind** |  |  |
| Unmarried and not surviving spouses | $1,550 | **$1,550** |
| All others | $1,250 | **$1,250** |
| **Dependents:** The standard deduction for a person claimed as a dependent by another is limited to greater of— |  |  |
| (a) Earned income plus *this amount*; or | $350 | **$350** |
| (b) *This amount*. | $1,050 | **$1,050** |

**2016 PERSONAL EXEMPTION AND PHASEOUTS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | 2015 | **2016** |
| Personal Exemption Amount | | $4,000 | **$4,050** |
| **Phaseouts** | |  |  |
| *Married individuals filing joint returns and surviving spouses* | Beginning of Phaseout | $309,900 | **$311,300** |
| Completed Phaseout | $432,400 | **$433,800** |
| *Heads of households* | Beginning of Phaseout | $284,050 | **$285,350** |
| Completed Phaseout | $406,550 | **$407,850** |
| *Unmarried individuals (other than surviving spouses, heads of households)* | Beginning of Phaseout | $258,250 | **$259,400** |
| Completed Phaseout | $380,750 | **$381,900** |
| *Married individuals filing separate returns* | Beginning of Phaseout | $154,950 | **$155,650** |
| Completed Phaseout | $216,200 | **$216,900** |

**2016 ITEMIZED DEDUCTION PHASEOUTS**

|  |  |  |
| --- | --- | --- |
| **Filing status—Phaseout begins** | 2015 | **2016** |
| Married individuals filing jointly | $309,900 | **$311,300** |
| Married filing separately | $154,950 | **$155,650** |
| Head of household | $284,050 | **$285,350** |
| Single taxpayer | $258,250 | **$259,400** |

**2016 ITEMIZED MEDICAL DEDUCTION THRESHOLD**

|  |  |  |
| --- | --- | --- |
| **Medical expenses are deductible above the percentage of AGI threshold for itemizing taxpayers** | 2015 | **2016** |
| Taxpayers younger than 65 | 10% | **10%** |
| Taxpayers 65 and older | 7.5% | **7.5%** |

**2016 CHILD CREDIT AND ADOPTION**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| **Threshold amount:** Used in computing the refundable portion of the child credit (this amount is subtracted from earned income; if there is an excess, a percentage of it is added to the overall credit limitation for purposes of computing a hypothetical credit which is used to compute the refundable portion of the child credit). Sec. 24(d)(1)(B)(i). | $3,000 | **$3,000** |
| **Adoption Credit (Sec. 23)** |  |  |
| Adoption credit for child with special needs | $13,400 | **$13,460** |
| Adoption credit for qualified adoption expenses of other children | $13,400 | **$13,460** |
| Phaseout of adoption credit begins with modified AGI of | $201,010 | **$201,920** |
| Complete phaseout of adoption credit with modified AGI of | $241,010 | **$241,920** |
| Exclusion from income in connection with employer-provided assistance in the adoption of child with special needs (Sec. 132) | $13,400 | **$13,460** |
| Exclusion from income for qualified adoption expenses in connection with employer-provided assistance in the adoption of other children | $13,400 | **$13,460** |
| Phaseout of exclusion begins with modified AGI of | $201,010 | **$201,920** |
| Complete phaseout of exclusion with modified AGI of | $241,010 | **$241,920** |

**2016 EARNED INCOME CREDIT**

|  |  |  |  |
| --- | --- | --- | --- |
| **Earned Income Credit (Sec. 32)** | *2014* | 2015 | **2016** |
| Credit denied if investment income exceeds | $3,350 | $3,400 | **$3,400** |
| **Taxpayers with three or more children** |  |  |  |
| Earned income amount | $13,650 | $13,870 | **$13,930** |
| Maximum credit amount | $6,143 | $6,242 | **$6,269** |
| Threshold phase-out amount: joint returns | $23,260 | $23,630 | **$23,740** |
| Threshold phase-out amount: other returns | $17,830 | $18,110 | **$18,190** |
| Completed phase-out amount: joint returns | $52,427 | $53,267 | **$53,505** |
| Completed phase-out amount: other returns | $46,997 | $47,747 | **$47,955** |
| **Taxpayers with two children** |  |  |  |
| Earned income amount | $13,650 | $13,870 | **$13,930** |
| Maximum credit amount | $5,460 | $5,548 | **$5,572** |
| Threshold phase-out amount: joint returns | $23,260 | $23,630 | **$23,740** |
| Threshold phase-out amount: other returns | $17,830 | $18,110 | **$18,190** |
| Completed phase-out amount: joint returns | $49,186 | $49,974 | **$50,198** |
| Completed phase-out amount: other returns | $43,756 | $44,454 | **$44,648** |
| **Taxpayers with one child** |  |  |  |
| Earned income amount | $9,720 | $9,880 | **$9,920** |
| Maximum credit amount | $3,305 | $3,359 | **$3,373** |
| Threshold phase-out amount: joint returns | $23,260 | $23,630 | **$23,740** |
| Threshold phase-out amount: other returns | $17,830 | $18,110 | **$18,190** |
| Completed phase-out amount: joint returns | $43,941 | $44,651 | **$44,846** |
| Completed phase-out amount: other returns | $38,511 | $39,131 | **$39,296** |
| **Taxpayers with no children** |  |  |  |
| Earned income amount | $6,480 | $6,580 | **$6,610** |
| Maximum credit amount | $496 | $503 | **$506** |
| Threshold phase-out amount: joint returns | $13,540 | $13,750 | **$13,820** |
| Threshold phase-out amount: other returns | $8,110 | $8,240 | **$8,270** |
| Completed phase-out amount: joint returns | $20,020 | $20,330 | **$20,430** |
| Completed phase-out amount: other returns | $14,590 | $14,820 | **$14,880** |

**2016 SAVINGS BOND EXCLUSION**

|  |  |  |
| --- | --- | --- |
| **Limitation on exclusion of income from U.S. savings bonds for taxpayers who pay qualified higher education expenses (Sec. 135)** | 2015 | **2016** |
| Married individuals filing joint returns and surviving spouses—threshold amount for beginning phaseout | $115,750 | **$116,300** |
| Exemption fully phased out | $145,750 | **$146,300** |
| All others—threshold amount for beginning phaseout | $77,200 | **$77,550** |
| Exemption fully phased out | $92,200 | **$92,550** |

# 2016 EDUCATION CREDITS AND DEDUCTIONS

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| Hope Scholarship credit is 100% for qualified expenses up to: | $2,000 | **$2,000** |
| Hope credit is 25% for qualified expenses up to the next: | $2,000 | **$2,000** |
| **Phase-out floor for Lifetime learning credits** |  |  |
| Joint returns | $110,000 | **$111,000** |
| All other returns | $55,000 | **$55,000** |
| **Phase-out floor for Hope Scholarship credit** |  |  |
| Joint returns | $160,000 | **$160,000** |
| All other returns | $80,000 | **$80,000** |
| **Maximum interest deduction** for education loans (Sec. 221) |  |  |
| *Married filing jointly* | $2,500 | **$2,500** |
| Reduction begins when adjusted gross income exceeds | $130,000 | **$130,000** |
| Complete elimination of deduction when AGI exceeds | $160,000 | **$160,000** |
| *All other taxpayers* | $2,500 | **$2,500** |
| Reduction begins when adjusted gross income exceeds | $65,000 | **$65,000** |
| Complete elimination of deduction when AGI exceeds | $80,000 | **$80,000** |

**2016 SECTION 179 EXPENSE LIMITS**

|  |  |  |  |
| --- | --- | --- | --- |
|  | *2014* | *2015* | **2016** |
| Limitation on aggregate cost of Sec. 179 property that taxpayer may elect to expense | 500,000 | $500,000 | **$500,000** |
| Reduction for Sec. 179 property in excess of this amount | $2,500,000 | $2,000,000 | **$2,000,000** |

**Note**: On December 18, 2015 the PATH Act was signed into law making the Section 179 $500,000 annual deduction limit permanent.

**2016 AUTOMOBILE MILEAGE RATES (CENTS PER MILE)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Purpose** | *2014* | 2015 | **2016** |
| Standard business use rate | 56 | 57.5 | **54** |
| Charitable use rate | 14 | 14 | **14** |
| Medical use rate | 23.5 | 23 | **19** |
| Moving expense rate | 23.5 | 23 | **19** |

**2016 GIFT AND ESTATE PLANNING AMOUNTS**

|  |  |  |
| --- | --- | --- |
|  | *2015* | **2016** |
| Annual Gift Tax Exclusion (Sec. 2503) | $14,000 | **$14,000** |
| Basic Exclusion Amount for Unified Credit (Sec. 2010) | $5,430,000 | **$5,450,000** |
| Dollar Amount Used to Compute “2 Percent” Portion of Estate Tax Payable in Installments Calculation (Sec. 6601(j)) | $1,470,000 | **$1,480,000** |
| Special Use Qualified Real Property Value Reduction Limit (Sec. 2032A) | $1,100,000 | **$1,110,000** |
| Super Exclusion for Present Interest Gifts from Citizen to  Noncitizen Spouses (Secs. 2503 & 2523(i)(2)) | $147,000 | **$148,000** |
| Notice of Large Gifts from Foreign Persons (Sec. 6039F) Gifts and bequests received from foreign persons exceeding this amount must be reported | $15,601 | **$15,671** |

**2016 TRANSPORTATION BENEFITS**

|  |  |  |
| --- | --- | --- |
| **Qualified Transportation** | 2015 | **2016** |
| Monthly exclusion limit for the aggregate of commuter highway vehicle transportation and transit pass | $130 | **$130** |
| Monthly exclusion limit for qualified parking | $250 | **$255** |
| Passenger Air Transportation Excise Tax  Sec. 4261(b). On amounts paid for each domestic segment of taxable transportation by air | $4.00 | **$4.00** |
| Passenger Air Transportation Excise Tax  Sec. 4261(c). On amounts paid for international air transportation that begins or ends within the United States (other than Alaska or Hawaii) | $17.70 | **$17.80** |
| Passenger Air Transportation Excise Tax  Sec. 4261(c)(3). On domestic segments that begin or end in Alaska or Hawaii | $8.90 | **$8.90** |

**2016 INSUBSTANTIAL BENEFITS—CHARITABLE CONTRIBUTIONS**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| Unrelated Trade or Business Exception for low-cost articles | $10.50 | **$10.60** |
| Donor Benefit Reporting **Not Required** if three conditions are met: |  |  |
| (1) Gift to charity is worth at least | $52.50 | **$53** |
| (2) Charity distributes free article not ordered by donor which costs charity no more than | $10.50 | **$10.60** |
| (3) Benefit received by donor is no more than the lesser of 2% of donor’s contribution, or this amount | $105 | **$106** |

**Note:** Rev. Proc. 90-12, 1990-1 CB 471 provides: “These guidelines describe a safe harbor; depending on the facts in each case, benefits received in connection with contributions may be ‘insubstantial’ even if they do not meet these guidelines.”

**Note:** A donor must have a written receipt in hand to claim a charitable deduction of **$250** or more. That receipt must be in the donor’s possession *before* the due date for filing his/her income tax return (plus any extensions). If the gift to charity is over **$75**, and the donor received or became entitled to a tangible benefit, the charity must inform the donor that the deduction is limited to the excess of any money and value of other property received over the value of the goods and services the charity provides. The charity must also provide a good faith estimate of the value of such goods and/or services.

**2016 FOREIGN EARNED INCOME**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| Limitation under Sec. 911(b)(2)(D)(i) | $100,800 | **$101,300** |

**2016 LOBBYING**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| Annual per person, family or entity dues limitation to qualify for the reporting exception under Sec. 6033(e)(3) (and Sec. 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547) for certain exempt organizations with nondeductible lobbying expenses | $111 | **$112** |

**2016 MEDICAL SAVINGS ACCOUNTS**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| **Self-Only Coverage** |  |  |
| Annual deductible is not less than | $2,200 | **$2,250** |
| Annual deductible is not more than | $3,300 | **$3,350** |
| Annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed | $4,450 | **$4,450** |
| **Family Coverage** |  |  |
| Annual deductible is not less than | $4,450 | **$4,450** |
| Annual deductible is not more than | $6,650 | **$6,700** |
| Annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed | $8,150 | **$8,150** |

**2016 HEALTH SAVINGS ACCOUNTS**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| **Individual Coverage** |  |  |
| Monthly contribution limitation is 1/12 of the lesser of the annual deductible or | $3,350 | **$3,350** |
| High-deductible health plan deductible is not less than | $1,300 | **$1,300** |
| High-deductible health plan limit on annual out-of-pocket expenses (other than premiums) | $6,450 | **$6,550** |
| **Family Coverage** |  |  |
| Monthly contribution limitation is 1/12 of the lesser of the annual deductible or | $6,650 | **$6,750** |
| High-deductible health plan deductible is not less than | $2,600 | **$2,600** |
| High-deductible health plan limit on annual out-of-pocket expenses (other than premiums) | $12,900 | **$13,100** |
| **Additional Contributions for individuals age 55 and older** | $1,000 | **$1,000** |

**2016 LONG-TERM CARE INSURANCE**

|  |  |  |
| --- | --- | --- |
|  | 2015 | **2016** |
| Per diem limitation for periodic payments received under qualified long-term care insurance contract or life insurance contract periodic payments treated as paid by reason of death of chronically ill individual under Sec. 7702B(d)(4) | $330 | **$340** |

**Note:** The per diem limitation for periodic payments received under a qualified long-term care insurance or life insurance contract is the amount the insured may exclude from gross income. Sec. 7702B(d)(4); 101(a).

**2016 LONG-TERM CARE PREMIUMS**

|  |  |  |
| --- | --- | --- |
| **Attained Age before the Close of the Taxable Year** | *2015* | **2016** |
| 40 or less | $380 | **$390** |
| More than 40 but not more than 50 | $710 | **$730** |
| More than 50 but not more than 60 | $1,430 | **$1,460** |
| More than 60 but not more than 70 | $3,800 | **$3,900** |
| More than 70 | $4,760 | **$4,870** |

**2016 EXPATRIATION**

**Note:** A *covered expatriate* is subject to U.S. federal income tax on the net unrealized gain in his or her property as if the property had been sold for its fair market value on the day before the expatriation or termination of U.S. residency. Sec. 877A.

|  |  |  |
| --- | --- | --- |
| **The expatriation tax applies if:** | 2015 | **2016** |
| (1) The individual’s average annual net income tax for the -year period preceding the citizenship loss exceeds this amount; *or* | $160,000 | **$161,000** |
| (2) The individual’s net worth on the date of the citizenship loss equals or exceeds this amount | $2,000,000 | **$2,000,000** |
| **Income Reduction**: A covered expatriate’s gross income is reduced by *this amount*. | $693,000 | **$693,000** |

**Would You Like to Turn this Month’s Issue of *Think About It* Into a Dynamic Presentation for Your Next Company Meeting?**

**Linas Sudzius, J.D., CLU, ChFC**, author of *Think About It*, will show you how to use the information in the attached newsletter to **make more money**.

|  |  |
| --- | --- |
|  | Linas is president of Advanced Underwriting Consultants. He also founded the ICS Law Group in Franklin, Tennessee. His firm provides estate planning legal services to individuals and nonlitigation legal services to business owners.  Linas also has experience working inside a life insurance company in sales and marketing. His unique perspective—combining knowledge about law, tax, life insurance, and what customers want—allows him to connect with producers to **create immediate sales opportunities.** |