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Sep. 23, 2015

An early glimpse at the income tax picture for 2016 is now available from Wolters Kluwer Tax & Accounting US. The new information includes estimated ranges for each 2016 tax bracket as well as projections for a growing number of inflation-sensitive tax figures, such as the personal exemption and the standard deduction. Projections are based on the relevant inflation data recently released by the U.S. Department of Labor.

Inflation Adjustments – Background

Since the late 1980s, the U.S. Tax Code has required that federal income tax brackets be adjusted for inflation annually, and inflation adjustments have been inserted into the Internal Revenue Code in recent years with increasing frequency. For example, the Code now requires over 50 other inflation-driven computations to determine deduction, exemption and exclusion amounts in addition to the 40 separate computations needed to inflation-adjust the tax bracket tables each year.

Key Tax Savings, Non-increase Estimates for 2016:

Projections based on the Department of Labor's inflation figures for the 12-month period between August 31, 2014, and August 31, 2015 suggest most taxpayers will experience modest savings, compared to 2015 tax filings. For example:

- Because of the income ranges bracketing the marginal tax rates have increased, a single filer with taxable income of \$50,000 should owe \$22.50 less next year due to the adjustments to the income tax rate brackets between 2015 and 2016.

- A married couple filing jointly with a total taxable income of \$100,000 should pay

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Inflation-adjusted Tax Increase Estimates for 2016:

- The personal exemption amount gets bumped up by inflation by \$50, to \$4,050 for 2016, up from \$4,000 in 2015.
- The standard deduction for single, married filing jointly, and married filing separately filers is expected to remain the same for 2016. The standard deduction for heads of household is expected to rise from \$9,250 for 2015 to \$9,300 for 2016. Any increase in the standard deduction, of course, can produce lower taxes by decreasing the taxpayer's taxable income.
- Wolters Kluwer Tax & Accounting US projects the following for 2016 alternative minimum tax (AMT) exemptions:
 - For married joint filers and surviving spouses, the exemption will be adjusted upward to \$83,800, up from \$83,400 for 2015.
 - For unmarried single filers and heads of households, the 2016 exemption will be \$53,900, up from \$53,600 for 2015.
 - For married single filers, the exemption will increase to \$41,900, up from \$41,700 in 2015.
- The 2016 year represents the third year that the 39.6-percent tax bracket for higher-income taxpayers, enacted by the American Taxpayer Relief Act of 2012 (ATRA), will be imposed. For 2016, Wolters Kluwer projects that the minimum income amounts at which this top tax rate will kick in will rise to:
 - \$466,950 (from \$464,850) for married joint filers
 - \$441,000 (from \$439,000) for heads of households
 - \$415,050 (from \$413,200) for unmarried filers
 - \$233,475 (from \$232,425) for married separate filers

- These inflation-adjusted amounts also trigger a 20-percent tax on that

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from \$100,800 for 2015.

- The income phaseout range for married joint filers making Roth IRA contributions will be \$184,000 to \$194,000 for 2016, an increase from \$183,000 and \$193,000 for 2015.

Wolters Kluwer Tax & Accounting US 2016 Tax Projections*

As cited earlier, Wolters Kluwer Tax & Accounting US projections for indexed amounts are based on the relevant inflation data released by the U.S. Department of Labor. The IRS usually releases official numbers by December each year.

Tax bracket projections are provided for illustrative purposes only, and should not be used for income tax returns or other federal income tax related purposes until confirmed by the IRS later this year.

Married Filing Jointly (& Surviving Spouse)

Tax Rate	2016 Taxable Income	2015 Taxable Income
10%	\$0 – \$18,550	\$0 – \$18,450
15%	\$18,551 – \$75,300	\$18,451 – \$74,900
25%	\$75,301 – \$151,900	\$74,901 – \$151,200
28%	\$151,901 – \$231,450	\$151,201 – \$230,450
33%	\$231,451 – \$413,350	\$230,451 – \$411,500

35%	\$413,351 – \$466,950	\$411,501 – \$464,850
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15%	\$9,276 – \$37,650	\$9,226 – \$37,450
25%	\$37,651 – \$91,150	\$37,451 – \$90,750
28%	\$91,151 – \$190,150	\$90,751 – \$189,300
33%	\$190,151 – \$413,350	\$189,301 – \$411,500
35%	\$413,351 – \$415,050	\$411,501 – \$413,200
39.6%	\$415,051+	\$413,201+

Head of Household

Tax Rate	2016 Taxable Income	2015 Taxable Income
10%	\$0 – \$13,250	\$0 – \$13,150
15%	\$13,251 – \$50,400	\$13,151 – \$50,200
25%	\$50,401 – \$130,150	\$50,201 – \$129,600
28%	\$130,151 – \$210,800	\$129,601 – \$209,850
33%	\$210,801 – \$413,350	\$209,851 – \$411,500
35%	\$413,351 – \$441,000	\$411,501 – \$439,000
39.6%	\$441,001+	\$439,001+

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28%	\$75,951 – \$115,725	\$75,601 – \$115,225
33%	\$115,726 – \$206,675	\$115,226 – \$205,750
35%	\$206,676 – \$233,475	\$205,751 – \$232,425
39.6%	\$233,476+	\$232,426+

Standard Deduction Amounts

Filing Status	2016	2015	Increase
Married Filing Jointly (& Surviving Spouse)	\$12,600	\$12,600	\$0
Married Filing Separately	\$6,300	\$6,300	\$0
Single	\$6,300	\$6,300	\$0
Head of Household	\$9,300	\$9,250	\$50

Standard Deduction for Dependents (“Kiddie” Standard Deduction)

2016**2015****Increase**

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Gift Tax Exclusion

2016**2015****Increase**

\$14,000

\$14,000

\$0

* These numbers are projected for the 2016 tax year and have not been confirmed by the Internal Revenue Service (www.irs.org).

Income Tax • Taxes

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