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personal exemption and the standard deduction.

Sep. 27, 2016

An early glimpse at the income tax picture for 2017 is now available from Wolters Kluwer Tax & Accounting. The new information includes estimated ranges for each 2017 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.

[For the latest information on deductions and tax brackets in the 2018 GOP tax reform, go to this article: www.cpapracticeadvisor.com/12387105]

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 schedules each year. Estimates for any of the inflation-adjusted tax figures for 2017, of course, are also necessarily subject to any changes to the tax law that may be made by Congress over the course of the next year.

Key Tax Savings, Inflation-Adjusted Projections for 2017:

Projections based on the Department of Labor's inflation figures for the 12-month period between August 31, 2015, and August 31, 2016 suggest most taxpayers will experience modest savings, compared to 2016 tax filings. For example:

- Because of the income ranges bracketing, the marginal tax rates have increased. A

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aged 65 or older or blind filers.

Other Inflation-adjusted Tax Estimates for 2017:

- The personal exemption amount will hold steady at \$4,050 for 2017, the same as for 2016.
- The standard deduction for single, married filing jointly, and married filing separately filers is expected to rise for 2017: at \$6,350, \$12,700 and \$6,350, respectively, up from \$6,300, \$12,600 and \$6,300. The standard deduction for heads of household is expected to rise \$50 to \$9,350 for 2017. Any increase in the standard deduction, of course, can produce lower taxes by decreasing the taxpayer's taxable income.
- Wolters Kluwer Tax & Accounting projects the following for 2017 alternative minimum tax (AMT) exemptions:
 - o For married joint filers and surviving spouses, the exemption will be adjusted upward to \$84,500, up from \$83,800 for 2016.
 - o For unmarried single filers and heads of households, the 2017 exemption will be \$54,300, up from \$53,900 for 2016.
 - o For married single filers, the exemption will increase to \$42,250, up from \$41,900 in 2016.
- The 2017 year will represent the fifth 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 2017, Wolters Kluwer projects that the minimum taxable income amounts at which this top tax rate will kick in will rise to:

- o \$470,700 (from \$466,950) for married joint filers

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taxable income attributable to net capital gains and qualified dividends that exceed these bracket amounts. Further, a 3.8 percent surtax on net investment income (NII) applies to taxpayers with more than modified adjusted gross income of \$200,000 for single filers and \$250,000 for joint returns. The NII threshold amounts are not adjusted for inflation each year, making this additional tax more likely to capture a greater number of taxpayers each year.

- The estate and gift tax applicable exemption was first set at a \$5 million level back in 2011. The amount has been adjusted for inflation by Congress and is now projected at \$5,490,000 for 2017. A spousal portability election can now effectively protect double that amount against estate and gift tax (\$10,980,000 for 2017).
- The 2017 foreign earned income exclusion will increase to \$102,100 for 2017, up from \$101,300 for 2016.
- The income phaseout range for married joint filers making Roth IRA contributions will start at a \$186,000 adjusted gross income level for 2017 tax year contributions, an increase from \$184,000 for 2016.

Wolters Kluwer Tax & Accounting US 2017 Tax Projections*

As cited earlier, Wolters Kluwer Tax & Accounting 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 November 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, and as subject to amendment by Congress during 2017.

Married Filing Jointly (& Surviving Spouse)

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33%	\$233,351 – \$416,700	\$231,451 – \$413,350
35%	\$416,701 – \$470,700	\$413,351 – \$466,950
39.6%	\$470,701+	\$466,951+

Unmarried Individuals (Other Than Surviving Spouses and Heads of Households)

Tax Rate	2017 Taxable Income	2016 Taxable Income
10%	\$0 – \$9,325	\$0 – \$9,275
15%	\$9,326 – \$37,950	\$9,276 – \$37,650
25%	\$37,951 – \$91,900	\$37,651 – \$91,150
28%	\$91,901 – \$191,650	\$91,151 – \$190,150
33%	\$191,651 – \$416,700	\$190,151 – \$413,350
35%	\$416,701 – \$418,400	\$413,351 – \$415,050
39.6%	\$418,401+	\$415,051+

Head of Household

Tax Rate	2017 Taxable Income	2016 Taxable Income
10%	\$0 – \$13,350	\$0 – \$13,250
15%	\$13,351 – \$50,800	\$13,251 – \$50,400

25% \$50,801 – \$131,200 \$50,401 – \$130,150

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Tax Rate	2017 Taxable Income	2016 Taxable Income
10%	\$0 – \$9,325	\$0 – \$9,275
15%	\$9,326 – \$37,950	\$9,276 – \$37,650
25%	\$37,951 – \$76,550	\$37,651 – \$75,950
28%	\$76,551 – \$116,675	\$75,951 – \$115,725
33%	\$116,676 – \$208,350	\$115,726 – \$206,675
35%	\$208,351 – \$235,350	\$206,676 – \$233,475
39.6%	\$235,351+	\$233,476+

Standard Deduction Amounts

Filing Status	2017	2016	Increase
Married Filing Jointly (& Surviving Spouse)	\$12,700	\$12,600	\$100
Married Filing Separately	\$6,350	\$6,300	\$50

Single	\$6,350	\$6,300	\$50
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2017	2016	Increase
\$1,050	\$1,050	\$0

Personal Exemption Amounts

2017	2016	Increase
\$4,050	\$4,050	\$0

Gift Tax Exclusion

2017	2016	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).

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