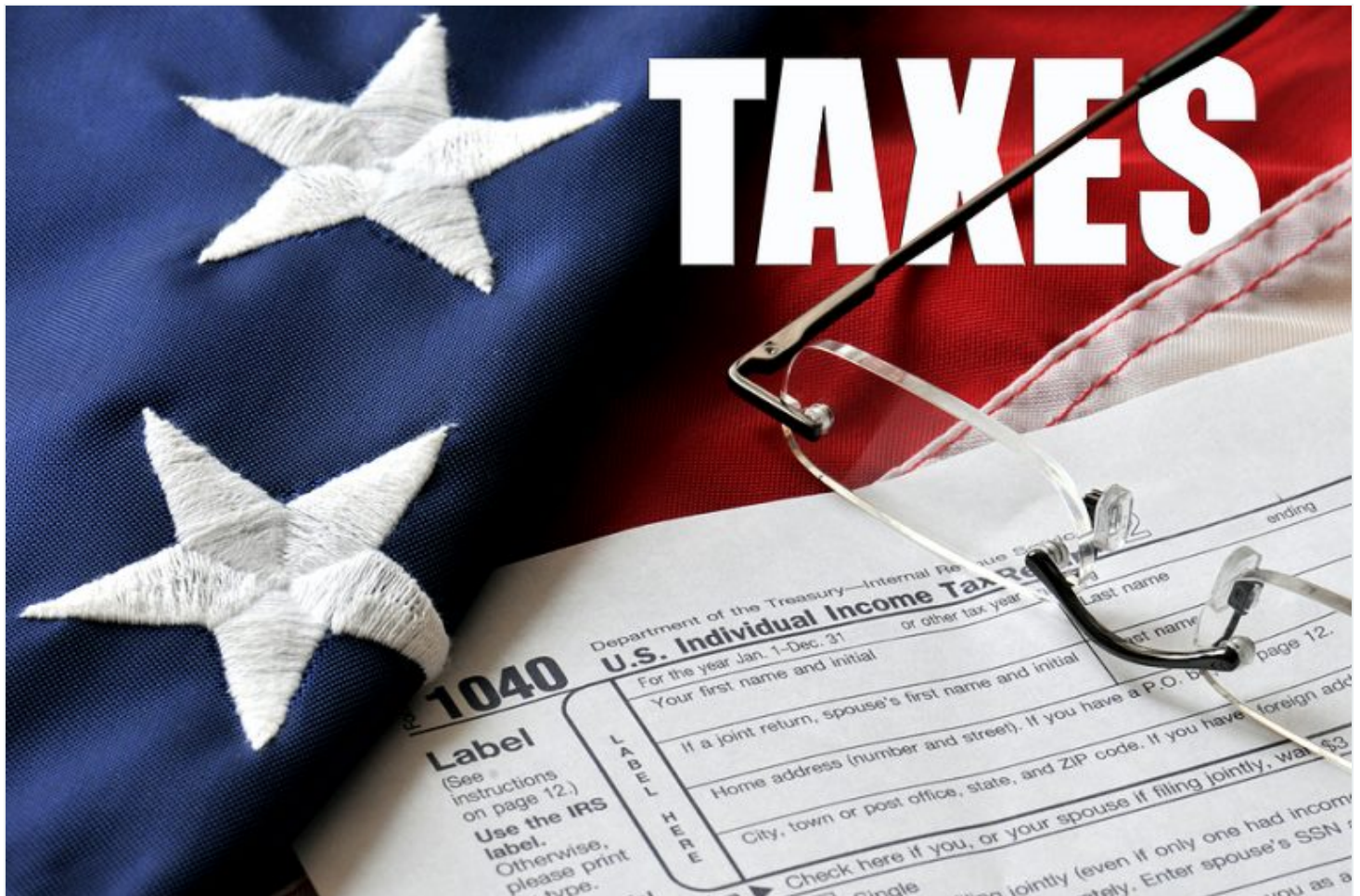


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legal information company Bloomberg BNA points to lower upcoming tax bills for many U.S. taxpayers as a result of adjustments based on the higher Consumer Price Index.

Isaac M. O'Bannon • Sep. 17, 2014



Sit back and brace yourself for some good tax news? A new report from financial and legal information company Bloomberg BNA points to lower upcoming tax bills for many U.S. taxpayers as a result of adjustments based on the higher Consumer Price Index. The CPA can affect many factors, including tax rate brackets, credits and deductions.

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“The good news is that people whose income is the same compared to last year may enjoy a lower effective tax rate – and a lower tax bill – because of the inflation adjustments,” said George Farrah, Bloomberg BNA Tax & Accounting Executive Editor. “The higher consumer price index will impact next year’s tax brackets, standard deductions, and other inflation-adjusted elements of the tax code. The insights and analysis in this report are indicative of the wealth of products and solutions from Bloomberg BNA that help tax professionals provide exceptional guidance.”

The IRS is expected to publish its official statement of 2015 inflation adjustments in a revenue procedure later this year. The Internal Revenue Code (Code) contains numerous deduction, credit, exclusion, and limitation amounts that are adjusted each year for inflation. The final data required to make many of these inflation adjustments were published today by the Bureau of Labor Statistics.

Items Adjusted for the First Time

A few amounts are particularly noteworthy because they are subject to inflation adjustments for the first time in 2015, so tax planners should be aware of and prepare their clients for these items.

One amount that will affect many taxpayers is the cap on contributions to health flexible spending accounts (FSAs). Prior to 2013, there was no limit at all on health FSA contributions. A \$2,500 cap was instituted in 2013, and in 2015, the cap will be adjusted upward for inflation for the first time to \$2,550.

Two other amounts subject to inflation adjustment for the first time are related to the Affordable Care Act. Bloomberg BNA's report includes projections of the penalty imposed on employers failing to offer minimum essential coverage to their

employees and the penalty on employers who offer coverage but have employees

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bracket and will pay \$29,087.50 in tax, "saving" \$159.50 compared to 2014.

High-income taxpayers will enjoy a measure of relief in 2015 as well, because the top 39.6% tax bracket is projected to begin at \$464,850 for married taxpayers filing joint returns and at \$413,200 for unmarried taxpayers. This represents an increase from \$457,600 for married taxpayers filing jointly and \$406,750 for unmarried individuals in 2014.

Bloomberg BNA has projected the 2015 income tax rate tables, shown below. The tables for other filing situations are included in Bloomberg BNA's full report.

Married Filing Jointly and Surviving Spouses

If Taxable Income Is: The Tax Is:

- Not Over \$18,450 10% of the taxable income
- Over \$18,450 but not over \$74,900 \$1,845 plus 15% of excess over \$18,450
- Over \$74,900 but not over \$151,200 \$10,312.50 plus 25% of excess over \$74,900
- Over \$151,200 but not over \$230,450 \$29,387.50 plus 28% of excess over \$151,200
- Over \$230,450 but not over \$411,500 \$51,577.50 plus 33% of excess over \$230,450
- Over \$411,500 but not over \$464,850 \$111,324 plus 35% of excess over \$411,550
- Over \$464,850 \$129,996.50 plus 39.6% of excess over \$464,850

Unmarried Individuals (other than Surviving Spouses and Heads of Households)

If Taxable Income Is: The Tax Is:

- Not Over \$9,225 10% of the taxable income
- Over \$9,225 but not over \$37,450 \$922.50 plus 15% of excess over \$9,225
- Over \$37,450 but not over \$90,750 \$5,156.25 plus 25% of excess over \$37,450
- Over \$90,750 but not over \$189,300 \$18,481.25 plus 28% of excess over \$90,750

- Over \$189,300 but not over \$411,500 \$46,075.25 plus 33% of excess over \$189,300

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exemption deduction is phased out. The projected phaseout levels are available in the full report.

When calculating their deductions, taxpayers may choose to take the higher of their itemized deductions or the standard deduction. The standard deduction amount varies depending on filing status. The standard deduction amounts are shown below.

Filing Status Standard Deduction

- Married Filing Jointly/Surviving Spouses \$12,600
- Heads of Household \$9,250
- All Other Taxpayers \$6,300

Alternative Minimum Tax (AMT)

For some taxpayers, inflation adjustments can make the difference between having to pay AMT or not. The AMT exemption was automatically adjusted for inflation for the first time in 2013.

“A feature unique to these projections is that Bloomberg BNA highlights several adjustments that can be slightly different, depending on how the Code is applied,” said Farrah. “In most cases, the differences result from the rounding convention used in the calculation. The Code requires one of two conventions. In some cases, the sum of the base amount and increase is rounded. In other cases, the increase amount is rounded before being added to the base amount. Often, the result is the same under either rounding convention, but Bloomberg BNA highlights each item where the rounding convention makes a difference.”

One example is the AMT exemption amounts, shown below. Where two numbers are listed, the first results from applying the rounding convention Bloomberg BNA

believes is required by the Code. The amount in parenthesis is calculated using the

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Estate and Gift Tax Exclusions

Bloomberg BNA projects that the estate tax basic exclusion for decedents dying in 2015 will be \$5.43 million. The exclusion amount originally was \$5 million in 2011, and has been adjusted for inflation since 2012. The basic exclusion was \$5.34 million in 2014. The annual gift tax exclusion remains \$14,000 in 2015.

The 2015 tax inflation projections are just one of the value-added features Bloomberg BNA provides taxpayers and the professionals that serve them. The [full report is available](#) free in PDF format.

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