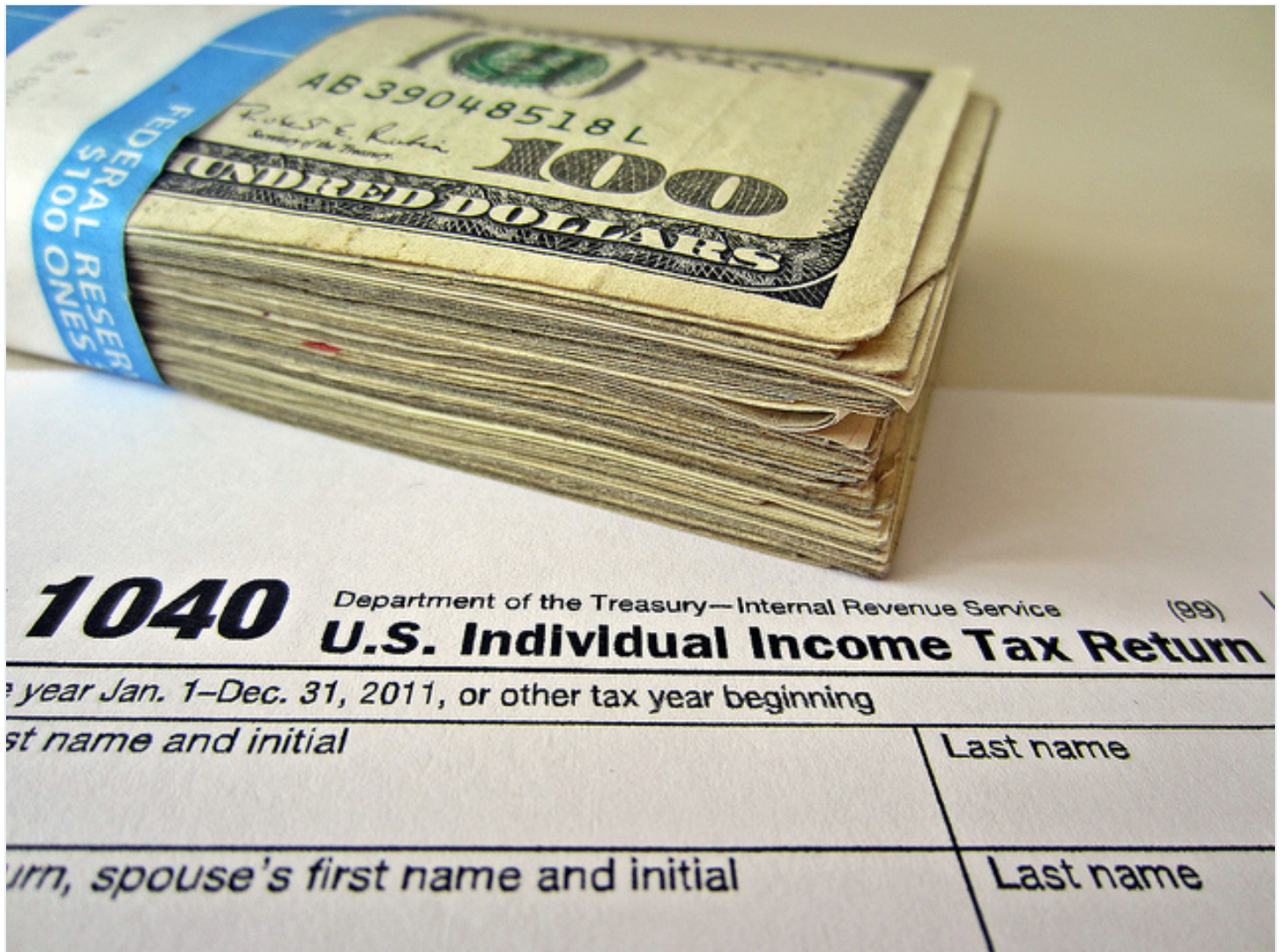


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tax rate while taxpayers that fail to comply with return filing and tax payment requirements will face larger penalties in 2016 because of a combination of legislative ...

Sep. 16, 2015



Taxpayers are getting a little bit of a warning that changes in tax brackets and higher IRS penalties are coming soon. Bloomberg BNA released *Projected 2016 Tax Rates*, a detailed and comprehensive projection of inflation-adjusted tax items.

People whose income is the same compared to last year may enjoy a lower effective

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With projections for the income tax brackets, personal exemption, standard deduction, penalties, and many other amounts, the report delivers information taxpayers and tax planners need to save tax dollars in 2016. The report is available online here and includes more than 320 figures contained in over 55 Internal Revenue Code sections. The Internal Revenue Service is expected to publish its official statement of 2016 inflation adjusted amounts in a revenue procedure later this year. These amounts are based on Bureau of Labor Statistics inflation adjustments that were published today.

## Increased Penalties

The Internal Revenue Code imposes a host of penalties for failure to file returns, failure to furnish information returns, and failure to pay tax. These penalties affect individuals, companies, trusts, and estates. Congress recently tied several of the penalties to annual inflation adjustments and dramatically increased a few, raising the specter of increasing costs for noncompliance in future years.

Tax return preparers also are subject to a number of penalties that are adjusted for inflation. These 2016 projected penalty amounts are shown below. Projected amounts for other penalties are included in the full report.

Scenario	Penalty Per Violation	Calendar Year Max Penalty
Failure to Furnish Copy to Taxpayer	\$50	\$25,500
Failure to Sign Return	\$50	\$25,500
Failure to Furnish Identifying Number	\$50	\$25,500
Failure to Retain Copy or List	\$50	\$25,500
Failure to File Correct Information Returns	\$50	\$25,500
Negotiation of Check	\$510	No Limit

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compared to 2015.

High-income taxpayers will enjoy a measure of relief in 2016 as well, because the top 39.6% tax bracket is projected to begin at \$466,950 for married taxpayers filing joint returns and at \$415,050 for unmarried individuals. This represents an increase from \$464,850 and \$413,200, respectively in 2015.

Bloomberg BNA has projected the 2016 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**

<b>If Taxable Income Is:</b>	<b>The Tax Is:</b>
Not Over \$18,550	10% of the taxable income
Over \$18,550 but not over \$75,300	\$1,855 plus 15% of excess over \$18,550
Over \$75,300 but not over \$151,900	\$10,367.50 plus 25% of excess over \$75,300
Over \$151,900 but not over \$231,450	\$29,517.50 plus 28% of excess over \$151,900
Over \$231,450 but not over \$413,350	\$51,791.50 plus 33% of excess over \$231,450
Over \$413,350 but not over \$466,950	\$111,818.50 plus 35% of excess over \$413,350
Over \$466,950	\$130,578.50 plus 39.6% of excess over \$466,950

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

<b>If Taxable Income Is:</b>	<b>The Tax Is:</b>
Not Over \$9,275	10% of the taxable income
Over \$9,275 but not over \$37,650	\$927.50 plus 15% of excess over \$9,275
Over \$37,650 but not over \$91,150	\$5,183.75 plus 25% of excess over \$37,650
Over \$91,150 but not over \$190,150	\$18,558.75 plus 28% of excess over \$91,150
Over \$190,150 but not over \$413,350	\$46,278.75 plus 33% of excess over \$190,150
Over \$413,350 but not over \$415,050	\$119,934.75 plus 35% of excess over \$413,350

Over \$415,050

\$120,529.75 plus 39.6% of excess over \$415,050

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itemized deductions or the standard deduction. The standard deduction amount varies depending on filing status. The projected standard deduction amounts for 2016 are shown below.

### **Filing Status — Standard Deduction**

Married Filing Jointly/Surviving Spouses — \$12,600

Heads of Household — \$9,300

All Other Taxpayers — \$6,300

## **Alternative Minimum Tax (AMT)**

For some taxpayers, inflation adjustments make the difference between having to pay AMT or not. The AMT exemptions were adjusted for inflation for the first time in 2013, and are projected for 2016 as shown below.

### **Filing Status – Exemption Amount**

Married Filing Jointly/Surviving Spouses – \$83,800

Heads of Household – \$53,900

Unmarried Individuals (other than Surviving Spouses and Heads of Household) – \$41,900

Estates and Trusts – \$23,900

## **Estate and Gift Tax Exclusions**

Bloomberg BNA projects that the estate tax basic exclusion for decedents dying in 2016 will be \$5.45 million. The exclusion amount, which has been adjusted for inflation since 2012, was \$5.43 million in 2015. The annual gift tax exclusion remains \$14,000 in 2016.



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