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compliance review season with the release of its 2017 Projected Tax Rates, a detailed and comprehensive projection of inflation-adjusted tax items.

With the upward penalty adjustments, the cost of noncompliance for taxpayers again increases in 2017, but individuals and businesses also can look forward to potentially lower tax liability because of higher deductions and credits. The full report is available at <http://on.bna.com/SH3C304hLrP>.

“The trend toward tougher penalties continues as Congress passed legislation that may revoke the passports of taxpayers with seriously delinquent tax debt,” said George Farrah, Bloomberg BNA Tax & Accounting Editorial Director. “For business taxpayers, Congress has provided some degree of certainty by returning to predictable annual increases for the business property expensing limits.”

With projections for the income tax brackets, personal exemption, standard deduction, and penalties, the report delivers information taxpayers and tax planners need to save tax dollars in 2017. The report includes more than 320 figures contained in over 55 Internal Revenue Code provisions. The Internal Revenue Service is expected to publish its official statement of 2017 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

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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
Failure to be Diligent in Determining Eligibility for Child Tax Credit, American Opportunity Tax Credit, and Earned Income Credit	\$510	No limit

Individual Income Tax Brackets

Because a higher Consumer Price Index (CPI) pushes the definition of the brackets upward and also increases the standard deduction and exemption amounts, the taxes due on the same income decrease from year to year. For example, suppose married taxpayers filing jointly figure tax on \$233,000. In 2016, they were in the 33% bracket and paid \$52,303 in tax. In 2017, the brackets are adjusted for inflation, and our taxpayers are now in the lower 28% bracket and will pay \$52,124.50 in tax, 'saving' \$178.50 compared to 2016.

High-income taxpayers will enjoy a measure of relief in 2017 as well, because the top 39.6% tax bracket is projected to begin at \$470,700 for married taxpayers filing joint returns and at \$418,400 for unmarried individuals. This represents an increase from \$466,950 and \$415,050, respectively in 2016.

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Over \$75,900 but not over \$153,100	\$10,452.50 plus 25% of excess over \$75,900
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Over \$153,100 but not over \$233,350	\$29,752.50 plus 28% of excess over \$153,100
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Over \$233,350 but not over \$416,700	\$52,222.50 plus 33% of excess over \$233,350
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Over \$416,700 but not over \$470,700	\$112,728 plus 35% of excess over \$416,700
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Over \$470,700	\$131,628 plus 39.6% of excess over \$470,700
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Unmarried Individuals (other than Surviving Spouses and Heads of Households)

If Taxable Income Is:

The Tax Is:

Not Over **\$9,325**

10% of the taxable income

Over **\$9,325** but not over **\$37,950**

\$932.50 plus 15% of excess over **\$9,325**

Over **\$37,950** but not over **\$91,900**

\$5,2226.25 plus 25% of excess over **\$37,950**

Over **\$91,900** but not over **\$191,650**

\$18,713.75 plus 28% of excess over **\$91,900**

Over **\$191,650** but not over **\$416,700**

\$46,643.75 plus 33% of excess over

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Most taxpayers are entitled to claim a personal exemption for each member of their household. For 2017, the personal exemption amount is projected to remain at unchanged from 2016 at \$4,050. The personal exemption is phased out for high-income taxpayers. 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 for 2017 are projected to increase slightly from 2016.

Filing Status	Standard Deduction
Married Filing Jointly/Surviving Spouses	\$12,700
Heads of Household	\$9,350
All Other Taxpayers	\$6,350

Alternative Minimum Tax (AMT)

For some taxpayers, inflation adjustments make the difference between having to pay AMT or not. The AMT exemptions are projected for 2017 as shown below.

Filing Status	Exemption Amount
Married Filing Jointly/Surviving Spouses	\$84,500

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2017 will be \$5.49 million. The exclusion amount was \$5.45 million in 2016. The annual gift tax exclusion remains \$14,000 in 2017.

The 2017 projections of inflation-adjusted tax amounts are just one of the value-added features Bloomberg BNA provides taxpayers and the professionals that serve them.

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