

Facts You Need to Know *About Taxes*



Your Reference Guide to:

2016 Tax Rates

College Savings Incentives

IRA and 401(k) Contributions

Affordable Care Act Taxes

ABLE Accounts

Social Security Benefits

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2016 Income Tax Rates

Marrieds Filing Jointly or a Qualifying Widow(er)		
If your taxable income is over:	But not over:	The tax is:
\$0	\$18,550	10% of the taxable income
\$18,550	\$75,300	\$1,855 plus 15% of the excess over \$18,550
\$75,300	\$151,900	\$10,367.50 plus 25% of the excess over \$75,300
\$151,900	\$231,450	\$29,517.50 plus 28% of the excess over \$151,900
\$231,450	\$413,350	\$51,791.50 plus 33% of the excess over \$231,450
\$413,350	\$466,950	\$111,818.50 plus 35% of the excess over \$413,350
\$466,950		\$130,578.50 plus 39.6% of the excess over \$466,950

Singles		
If your taxable income is over:	But not over:	The tax is:
\$0	\$9,275	10% of the taxable income
\$9,275	\$37,650	\$927.50 plus 15% of the excess over \$9,275
\$37,650	\$91,150	\$5,183.75 plus 25% of the excess over \$37,650
\$91,150	\$190,150	\$18,558.75 plus 28% of the excess over \$91,150
\$190,150	\$413,350	\$46,278.75 plus 33% of the excess over \$190,150
\$413,350	\$415,050	\$119,934.75 plus 35% of the excess over \$413,350
\$415,050		\$120,529.75 plus 39.6% of the excess over \$415,050

Marrieds Filing Separately		
If your taxable income is over:	But not over:	The tax is:
\$0	\$9,275	10% of the taxable income
\$9,275	\$37,650	\$927.50 plus 15% of the excess over \$9,275
\$37,650	\$75,950	\$5,183.75 plus 25% of the excess over \$37,650
\$75,950	\$115,725	\$14,758.75 plus 28% of the excess over \$75,950
\$115,725	\$206,675	\$25,895.75 plus 33% of the excess over \$115,725
\$206,675	\$233,475	\$55,909.25 plus 35% of the excess over \$206,675
\$233,475		\$65,289.25 plus 39.6% of the excess over \$233,475

Heads of Households		
If your taxable income is over:	But not over:	The tax is:
\$0	\$13,250	10% of the taxable income
\$13,250	\$50,400	\$1,325 plus 15% of the excess over \$13,250
\$50,400	\$130,150	\$6,897.50 plus 25% of the excess over \$50,400
\$130,150	\$210,800	\$26,835 plus 28% of the excess over \$130,150
\$210,800	\$413,350	\$49,417 plus 33% of the excess over \$210,800
\$413,350	\$441,000	\$116,258.50 plus 35% of the excess over \$413,350
\$441,000		\$125,936 plus 39.6% of the excess over \$441,000

Trusts and Estates		
If your taxable income is over:	But not over:	The tax is:
\$0	\$2,500	15% of the taxable income
\$2,550	\$5,900	\$382.50 plus 25% of the excess over \$2,550
\$5,950	\$9,050	\$1,232.50 plus 28% of the excess over \$5,950
\$9,050	\$12,400	\$2,100.50 plus 33% of the excess over \$9,050
\$12,400		\$3,206 plus 39.6% of the excess over \$12,400

Standard Deduction Amounts for 2016

Marrieds Filing Jointly or a Qualifying Widow(er)	\$12,600
Singles	\$6,300
Marrieds Filing Separately	\$6,300
Heads of Households	\$9,300

Additional Standard Deduction Amounts

If at least age 65 or blind	\$1,250
If at least age 65 or blind but unmarried and not a widow(er)	\$1,550
If claimed as a dependent on another return	\$1,050*

*Or \$350 plus the individual's earned income but not more than the regular standard deduction amount.

Limitation on itemized deductions.

Itemized deductions are "phased out" for single taxpayers with income over \$259,400, for heads of households over \$285,350, for marrieds filing jointly over \$311,300, and for marrieds filing separately with income over \$155,650.

Personal Exemption. The personal exemption for 2016 is \$4,050. The personal exemption is phased out as follows:

Filing Status	Phaseout begins	Phaseout complete
Marrieds filing jointly and surviving spouses	\$311,300	\$433,800
Singles	\$259,400	\$381,900
Heads of households	\$285,350	\$407,850
Marrieds filing separately	\$155,650	\$216,900

Alternative Minimum Tax

AMT Tax Rates for 2016

Rate	Marrieds filing separately	All other filers
26%	Up to \$93,150	Up to \$186,300
28%	More than \$93,150	More than \$186,300

AMT Exemption Amounts

Single individual	\$53,900
Marrieds filing jointly or surviving spouse	\$83,800
Marrieds filing separately	\$41,900
Estates and trusts	\$23,900

AMT Exemption Phaseout

	Exemption phaseout begins above
Marrieds Filing Jointly or a Qualifying Widow(er)	\$159,700
Singles	\$119,700
Marrieds Filing Separately and Trusts and Estates	\$79,850

Affordable Care Act (ACA) Taxes

Additional Medicare Tax	0.9% tax on wages and self-employment income over:
Marrieds filing jointly	\$250,000
Singles	\$200,000
Marrieds filing separately	\$125,000
Net Investment Income Tax	Additional 3.8% tax on net investment income if Modified Adjusted Gross Income exceeds:
Marrieds filing jointly	\$250,000
Singles	\$200,000
Marrieds filing separately	\$125,000
Head of household	\$200,000
Qualifying widow(er)	\$250,000

2016 Corporate Income Tax Rates

If Taxable Income Is Over:	But Not Over:	The Tax Is:
\$0	\$50,000	15% of the amount over \$0
\$50,000	\$75,000	\$7,500 plus 25% of the amount over \$50,000
\$75,000	\$100,000	\$13,750 plus 34% of the amount over \$75,000
\$100,000	\$335,000	\$22,250 plus 39% of the amount over \$100,000
\$335,000	\$10,000,000	\$113,900 plus 34% of the amount over \$335,000
\$10,000,000	\$15,000,000	\$3,400,000 plus 35% of the amount over \$10,000,000
\$15,000,000	\$18,333,333	\$5,150,000 plus 38% of the amount over \$15,000,000
\$18,333,333		35% of the amount over \$0

Note: Qualified personal service corporations are taxed at a flat 35%.

College Savings Incentives

Section 529 plans. No federal tax need be paid on the income earned on amounts accumulated in a state-sponsored Section 529 plan. When withdrawals are made and used for qualified higher-education expenses, they won't be taxed either.

Coverdell Education Savings Accounts (CESAs). You can contribute up to \$2,000 a year per child to a CESA. Earnings grow tax free as long as withdrawals are used for qualified education expenses. Eligibility to contribute the full amount phases out between a modified adjusted gross income (MAGI) of \$95,000 and \$110,000 (singles); between \$190,000 and \$220,000 (marrieds filing jointly).

American Opportunity Tax Credit. The maximum American Opportunity Tax Credit is 100% of the first \$2,000 and 25% for the next \$2,000 of qualified tuition and related expenses. The credit phases out at MAGI of \$160,000 for marrieds filing jointly (\$80,000 for singles).

Lifetime Learning Credit. The maximum Lifetime Learning Credit is \$2,000, with the credit phasing out at modified adjusted gross income of \$110,000 for marrieds filing jointly (\$55,000 for singles).

U.S. Savings Bonds income exclusion. For 2016 the income from certain U.S. Savings Bonds used to pay qualified higher education expenses may be excluded from tax. Eligibility for the exclusion phases out between MAGI of \$116,300 and \$146,300 (marrieds filing jointly); and \$77,550 and \$92,550 (others).

Interest deduction for education loans. A tax deduction is available for up to \$2,500 in qualified education loan interest. Eligibility for the deduction phases out between MAGI of more than \$65,000 and \$80,000 (singles); between \$130,000 and \$160,000 (marrieds filing jointly).

Other Credits and Deductions

Long-term care insurance premiums. In some instances, portions of the premiums paid for qualified long-term care insurance may be tax deductible. For 2016 they are: \$390 for those who are age 40 or under at the end of the tax year; \$730, if older than 40 but not older than 50; \$1,460, older than 50 but not older than 60; \$3,900, older than 60 but not older than 70; \$4,870, older than 70.

Adoption credit. You may be able to take a tax credit of up to \$13,460 for qualifying expenses paid to adopt an eligible child. The adoption credit is an amount that you subtract from your tax liability. At MAGI of more than \$201,920, the amount of the credit begins to phase out and is phased out completely at MAGI of \$241,920.

ABLE Accounts. Beginning in 2015, Congress authorized ABLE Accounts for disabled persons. "ABLE" is the acronym for "Achieving a Better Life Experience." Annual contributions are permitted up to the gift tax annual exclusion amount, \$14,000 in 2016. Earnings of ABLE Accounts are tax free, as are distributions for qualified disability expenses, including education, housing, transportation, and employment training, among others. ABLE Account balances won't be counted in determining eligibility for government programs. At the death of the beneficiary, the government may make a claim on the ABLE Account for the amount of its expenses.

Investments

(See earlier panel for additional 3.8% ACA tax on net investment income.)

Capital gain and dividend tax rates	
Short-term capital gain rates (capital asset held one year or less)	same as ordinary income, rates up to 39.6%
General long-term capital gain rates (capital asset held more than one year):	
For taxpayers in the 10% and 15% tax brackets	0%
For taxpayers in the 25%, 28%, 33% and 35% tax brackets	15%
For taxpayers in the 39.6% tax bracket	20%
Maximum long-term capital gain rate from the sale of real estate with unrecaptured depreciation (often referred to as unrecaptured Section 1250 property)	25%
Long-term capital gain rate for collectibles and certain small business stock	28%
Qualified dividend income tax rates:	
For taxpayers in the 10% and 15% tax brackets	0%
For taxpayers in the 25%, 28%, 33% and 35% tax brackets	15%
For taxpayers in the 39.6% tax bracket	20%

Growth of \$1,000 Yearly Investment*						
Compounded Annually (\$1,000 Investment is made at the start of each year.)						
	Years					
%	5	10	15	20	25	30
3%	\$5,468	\$11,808	\$19,157	\$27,676	\$37,553	\$49,003
4%	5,633	12,486	20,825	30,969	43,312	58,328
5%	5,802	13,207	22,657	34,719	50,113	69,761
6%	5,975	13,972	24,673	38,993	58,156	83,802
7%	6,153	14,784	26,888	43,865	67,676	101,073
8%	6,336	15,645	29,324	49,423	78,954	122,346
9%	6,523	16,560	32,003	55,765	92,324	148,575
10%	6,716	17,531	34,950	63,002	108,182	180,943

Growth of One-Time \$1,000 Investment*						
Compounded Annually						
	Years					
%	5	10	15	20	25	30
3%	\$1,159	\$1,344	\$1,558	\$1,806	\$2,094	\$2,427
4%	1,217	1,480	1,801	2,191	2,666	3,243
5%	1,276	1,629	2,079	2,653	3,386	4,322
6%	1,338	1,791	2,397	3,207	4,292	5,743
7%	1,403	1,967	2,759	3,870	5,427	7,612
8%	1,469	2,159	3,172	4,661	6,848	10,063
9%	1,539	2,367	3,642	5,604	8,623	13,268
10%	1,611	2,594	4,177	6,727	10,835	17,449

*These figures are used for hypothetical purposes only and do not represent the growth of any specific investment.

Retirement Plans and Social Security

Social Security for 2016

Social Security wage base	\$118,500
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Retirement Earnings Test Exempt Amounts

Under full retirement age (\$1 in benefits is withheld for every \$2 in earnings above the limit.)	\$15,720
The year in which full retirement age is reached (\$1 in benefits is withheld for every \$3 in earnings above the limit but only for months prior to reaching full retirement age.)	\$41,880
After full retirement age is reached	no limit

Taxation of Social Security Benefits

Singles with <i>Provisional Income</i> *	
below \$25,000	pay no tax on benefits
from \$25,000 to \$34,000	pay tax on 50% of benefits
over \$34,000	pay tax on up to 85% of benefits
Marrieds filing a joint return with <i>Provisional Income</i> *	
below \$32,000	pay no tax on benefits
from \$32,000 to \$44,000	pay tax on 50% of benefits
over \$44,000	pay tax on up to 85% of benefits

*The IRS defines *Provisional Income* as your modified adjusted gross income (MAGI) plus one-half of your Social Security benefits. (MAGI is AGI plus tax-exempt income.)

Maximum Retirement Plan Contribution Limits for 2016

	Maximum contribution	Maximum contribution for those age 50 and over
Traditional IRA/ Roth IRA	\$5,500	\$6,500
401(k) plans	\$18,000	\$24,000

Phaseout of Deductibility of IRA Contributions Based on MAGI (If you are an active participant in a company retirement plan)

Singles and Heads of Household	\$61,000 to \$71,000
Marrieds filing joint returns and both spouses are active plan participants	\$98,000 to \$118,000
Marrieds filing joint returns and one spouse is an active plan participant	\$184,000 to \$194,000

Phaseout of Roth IRA Contributions Based upon MAGI

Singles	\$117,000 to \$132,000
Marrieds filing a joint return	\$184,000 to \$194,000

Estate and Gift Taxes

Estates. The federal estate tax exemption in 2016 is \$5,450,000. With appropriate tax filings and tax elections, married couples may secure a \$10,900,000 exemption regardless of which spouse dies first or how the couple owns their property (assuming that they both die in 2016). Amounts in excess of the exemption are taxed at a 40% rate.

Gifts. The lifetime federal gift tax exemption in 2016 is \$5,450,000. Amounts transferred in excess of the exemption are taxed at 40%. For 2016, the annual exclusion from the gift tax is \$14,000. A gift no larger than \$14,000 may be given to each of as many people as you wish without incurring gift tax or using up your lifetime federal gift tax exclusion. To qualify for the annual exclusion, the gift must be of a “present interest,” meaning that the person receiving the gift must have the immediate right to use and enjoy the gift, without strings attached. Couples may “split” their gifts to secure a \$28,000 annual exclusion.

Developments occurring after December 31, 2015, are not reflected in this guide.

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