



# DIVERSIFIED STRATEGIES

"We bring balance to your business"

## 2016 Tax Season Changes

For the tax year 2016, the IRS has released their annual inflation adjustments. This can be found in the IRS documents [IR-2015-119](#) and [Revenue Procedure 2015-53](#) to provide more details regarding the adjustments.

The following items for the 2016 tax year hold the greatest interest to most tax payers. For more changes, please refer to the links above or contact us at (757) 201-3091.

### ALL CHANGES ARE SHOWN IN RED

1. The 39.6% tax rate has increased from \$413,200 to \$415,050 for singles taxpayers and \$464,850 to \$466,950 for married taxpayers filing jointly.

	Single	Married Filing Jointly	Married Filing Separate	Head of Household
Tax Brackets	Taxable Income	Taxable Income	Taxable Income	Taxable Income
10%	\$0 - \$9,274	\$0 - \$18,549	\$0 - \$9,274	\$0 - \$13,249
15%	\$9,275 - \$37,649	\$18,550 - \$75,299	\$9,275 - \$37,649	\$13,251 - \$50,399
25%	\$37,650 - \$91,149	\$75,300 - \$151,899	\$37,650 - \$75,949	\$50,400 - \$130,149
28%	\$91,150 - \$190,149	\$151,900 - \$231,449	\$75,950 - \$115,724	\$130,150 - \$210,799
33%	\$190,150 - \$413,349	\$231,450 - \$413,349	\$115,725 - \$206,674	\$210,800 - \$413,349
35%	\$413,350 - \$415,049	\$413,350 - \$466,949	\$206,675 - \$233,474	\$413,350 - \$440,999
<b>39.60%</b>	<b>\$415,050 and over</b>	<b>\$466,950 and over</b>	\$233,475 and over	\$440,000 and over

2. For the standard deduction the heads of household was increased from \$9,250 to \$9,300. The limitation for itemized deductions begins with incomes of \$259,400 or more (\$311,300 for married couples filing jointly).

	Single	Married Filing Jointly	Married Filing Separate	Head of Household
Standard Deduction	\$6,300.00	\$12,600.00	\$6,300.00	<b>\$9,300.00</b>
Additional (Aged or Blind - Each)	\$1,550.00	\$1,250.00	\$125.00	\$1,550.00
Modified Gross Income Itemized Deduction Phase out Starts	<b>\$259,400.00</b>	<b>\$311,300.00</b>	\$155,650.00	\$285,350.00

\*The standard deduction for a dependent is the greater of \$1,050 or earned income plus \$350.



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3. Personal Exemption rises from \$4,000 to \$4,050. Although, the exemption is subject to phase-out that begins with the adjusted gross incomes of \$259,400 and \$311,300 for married couples filing jointly. It phases out completely at \$381,900 and \$433,800 for married couples filing jointly.

Regular Exemption Amount Per Person	Modified Adjusted Gross Income Phase-out Range			
	Single	Married Filing Jointly	Married Filing Separate	Head of Household
<i>\$4,050</i>	<i>\$259,400 - \$381,900</i>	<i>\$311,300 - \$433,800</i>	\$155,650 - \$216,900	\$285,350 - \$407,850

4. The Alternative Minimum Tax (AMT) exemption amount is \$53,900 and begins to phase-out at \$119,700. For married couples filing jointly it is \$83,800 and phases out at \$159,700. The 28% tax rate applies to taxpayers with a taxable income above \$186,300 and \$93,150 for married individuals filing separately.

	AMT Exemption	Adjusted Exemption Phase out stats at...	28% tax rate stats income subject to AMT of:
<b>Single</b>	<i>\$53,900.00</i>	<i>\$119,700.00</i>	<i>\$186,300.00</i>
<b>Head of Household</b>	<i>\$53,900.00</i>	<i>\$119,700.00</i>	<i>\$186,300.00</i>
<b>Married Filing Jointly</b>	<i>\$83,800.00</i>	<i>\$159,700.00</i>	<i>\$186,300.00</i>
<b>Married Filing Separately</b>	\$41,900.00	\$79,850.00	<i>\$93,150.00</i>

5. The maximum Earned Income Credit has increased for married couples filing jointly who have three or more children, increasing from \$6,242 to \$6,269.

Number of Children	Maximum Credit	Earned Income for Maximum Credit	Phase out Range for Single, Head of Household, or Married Filing Jointly	Phase out Range for Married Filing Jointly
<b>None</b>	\$506.00	\$6,610.00	\$8,270 - \$14,880	\$13,820 - \$20,430
<b>One Child</b>	\$3,373.00	\$9,920.00	\$18,190 - \$39,296	\$23,740 - \$44,846
<b>Two Children</b>	\$5,572.00	\$13,930.00	\$18,190 - \$44,648	\$23,740 - \$50,198
<b>Three or More Children</b>	<i>\$6,269.00</i>	\$13,930.00	\$18,190 - \$47,955	\$23,740 - \$53,505

6. The monthly limitation for qualified transportation Fringe Benefits stays at \$130 for transportation, but the qualified parking was raised to \$255 from \$250.



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7. For taxpayers who have self-only coverage in a medical savings account, the plan must have an annual deductible that is no less than \$2,250 but no more than \$3,350. The maximum out of pocket expense amount continues to remain at \$4,450. Family coverage participants the annual deductible remains the same, yet cannot be more than \$6,700. The out of pocket expense limit has remained the same for family coverage.
8. For tax year 2016, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$111,000, up from \$110,000 for tax year 2015.
9. For tax year 2016, the foreign earned income exclusion is \$101,300, up from \$100,800 for tax year 2015.
10. Estates of decedents who die during 2016 have a basic exclusion amount of \$5,450,000, up from a total of \$5,430,000 for estates of decedents who died in 2015.