

2016 Tax Planning

Taxable Income Brackets for 2016 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
39.6%*	Over \$466,950	Over \$415,050
35%	\$413,351 – \$466,950	\$413,351 – \$415,050
33%	\$231,451 – \$413,350	\$190,151 – \$413,350
28%	\$151,901 – \$231,450	\$91,151 – \$190,150
25%	\$75,301 – \$151,900	\$37,651 – \$91,150
15%	\$18,551 – \$75,300	\$9,276 – \$37,650
10%	\$0 – \$18,550	\$0 – \$9,275

*The top rate is effectively 43.4% for those subject to the 3.8% Medicare surtax on net investment income

2016 Adjusted Gross Income Thresholds for Phase-out of Personal Exemptions

Filing Status	Phaseout Begins*	Phaseout Complete
Married Filing Joint	\$311,300	\$433,800
Single	\$259,400	\$381,900

*The "Pease" limit, a 3% reduction in overall itemized deductions, also begins to impact clients at these thresholds. For every \$1 of AGI over this threshold, a client will lose three cents of itemized deductions, up to a maximum of 80%.

Taxable Income Brackets for 2016 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
20%*	Over \$466,950	Over \$415,050
15%**	\$75,301 – \$466,950	\$37,651 – \$415,050
0%	\$0 – \$75,300	\$0 – \$37,650

*The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income

**Clients in the 15% LTCG tax bracket with MAGI over their 3.8% threshold (\$250,000 joint filers/\$200,000 single filers) will pay an effective rate of 18.8%

2016 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate Tax	\$5,450,000	40%
Gift Tax	\$5,450,000	40%
GST Tax	\$5,450,000	40%

*The estate and gift exemptions have been made permanently portable and can be transferred to a client's (surviving) spouse. The GST exemption is NOT portable.

Alternative Minimum Tax (AMT)

The AMT exemption amounts are permanently indexed for inflation. For 2016 the exemption amount is \$83,800 married filing joint (\$53,900 for singles, \$41,900 married filing separate, \$23,900 estates and trusts).

Qualified Charitable Distributions

The 2015 Tax Act has extended this provision permanently. It originally expired after 2014, but is now extended retroactively for 2015 and all later years.

2016 Tax Bracket Management at a Glance

Pay attention to tax brackets – Higher income clients will see their taxes increased due to top income and capital gain rates, the phase-out of itemized deductions and exemptions, the 3.8% surtax and the 0.9% surtax.

Top Income and Capital Gain Rates	Phase-Outs of Personal Exemptions and Itemized Deductions	3.8% Tax on Net Investment Income 0.9% Tax on Earned Income
Based on taxable income \$466,950 married joint \$415,050 single	Based on AGI \$311,300 married joint \$259,400 single	The 3.8% tax is based on modified adjusted gross income \$250,000 married joint \$200,000 single The 0.9% tax is based on earned income over these limits (wages and self-employment income)

Trust Tax Rates – Distributions from inherited IRAs that exceed **\$12,400** and are made to and retained in discretionary trusts will be subject to the top 39.6% rate. Conduit trusts and Roth conversions during the IRA owner's life become more valuable.