

**R.J. Augustine & Associates**  
Certified Public Accountants

# 2016 Inflation Adjusted Tax Benefits

*Innovative Paths To Your Financial Future*



 P: 847.330.0400

**Richard J. Augustine**  
President  
[raugustine@rjacpa.com](mailto:raugustine@rjacpa.com)

## In 2016, Some Tax Benefits Increase Slightly Due to Inflation Adjustments, Others Are Unchanged.

WASHINGTON - For tax year 2015, the Internal Revenue Service announced annual inflation adjustments for more than 50 tax provisions, including the tax rate schedules and other tax changes. Revenue Procedure 2015-53 provides details about these annual adjustments. The tax items for tax year 2016 of greatest interest to most taxpayers include the following dollar amounts.



- ❏ The 39.6% tax rate affects single taxpayers whose income exceeds \$415,050 (\$466,950 for married taxpayers filing jointly), up from \$413,200 and \$464,850, respectively. The other marginal rates - 10, 15, 25, 28, 33 and 35% - and the related income tax thresholds for tax year 2016 are described in the revenue procedure
- ❏ The standard deduction for heads of household rises to \$9,300 for tax year 2016, up from \$9,250, for tax year 2015. The other standard deduction amounts for 2016 remain as they were for 2015: \$6,300 for singles & married persons filing separate returns and \$12,600 for married couples filing jointly
- ❏ The limitation for itemized deductions to be claimed on tax year 2016 returns of individuals begins with incomes of \$259,400 or more (\$311,300 for married couples filing jointly).
- ❏ The personal exemption for tax year 2016 raises \$50 to \$4,050, up from the 2015 exemption of \$4,000. However, the exemption is subject to a phase-out that begins with adjusted gross incomes of \$259,400 (\$311,300 for married couples filing jointly). It phases out completely at \$381,900 (\$433,800 for married couples filing jointly).
- ❏ The alternative Minimum Tax exemption amount for tax year 2016 is \$53,900 and begins to phase out at \$119,700 (\$83,800, for married couples filing jointly for who the exemption begins to phase out at \$159,700). The 2015 exemption amount was \$53,600 (\$83,400 for married couples filing jointly). For tax year 2016, the 28% tax rate applies to taxpayers with taxable incomes above \$186,300 (\$93,150 for married individuals filing separately).

- Participants who have self-only coverage in Medical Savings Account, the plan must have an annual deductible that is not less than \$2,250, up from \$2,200 for tax year 2015; but not more than \$3,350, up from \$3,300 for tax year 2015. For self-only coverage the maximum out of pocket expense amount remains at \$4,450. Participates with family coverage, the floor for the annual deductible remains as it was in 2015 - \$4,450, however, the deductible cannot be more than \$6,700, up \$50 from the limit in 2015.
- The adjusted gross income amount used by joint filers to determine the reduction in Lifetime Learning Credit is \$111,000, up from \$110,000 for 2015.
- The Foreign Earned Income exclusion is \$101,300, up from \$100,800 for 2015.
- Estates of decedents who die during 2016 have basic exclusion amount of \$5,450,000, up from a total of \$5,430,000 for estates of decedents who died in 2015



- The tax year 2016 maximum Earned Income Credit amount is \$6,269 for taxpayers filing jointly who have 3 or more qualifying children, up from a total of \$6,242 for tax year 2015. The Revenue procedure has a table providing maximum credit amounts for other categories, income thresholds and phase-outs
- For tax year 2016, the monthly limitation for the qualified transportation fringe benefit remains at \$130 but rises to \$255 for qualified parking, up from \$250 for tax year 2015.



**R.J. Augustine & Associates**  
 Certified Public Accountants

999 N Plaza Drive, Suite 650  
 Schaumburg, IL 60173-5493  
**Phone:** 847.330.0400  
**Fax:** 847.330.0297  
[www.rjacpa.com](http://www.rjacpa.com)