

## SOCIAL SECURITY / MEDICARE

	2015	2016
Cost of Living Adjustment	1.7%	0.0%
Social Security Wage Base (OASDI only)	\$118,500	\$118,500
Medicare Wage Base	*\$200,000	*\$200,000
Social Security Tax Rate	6.20%	6.20%
Medicare Tax Rate	*1.45%	*1.45%

\*Depending on the amount of taxable wages, the combined Social Security and Medicare employee tax rate will range from 7.65% (6.20% + 1.45%) to 8.55% (6.2% + 1.45% + 0.9% on Medicare wages in excess of \$200,000 if the employee is a high-income earner). The combined employer rate will remain 7.65%.

## BENEFIT, CONTRIBUTION AND COMPENSATION LIMITS FOR RETIREMENT PLANS

The Internal Revenue Code (IRC) provides limitations on benefits and contributions under retirement plans. The IRC also limits the amount of compensation that can be considered when computing benefits and contributions. These limits are subject to periodic adjustment for cost-of-living increases.

Type or Limit	2015	2016
Annual benefit for defined benefit plans	\$210,000	\$210,000
Annual limit for defined contribution plans	53,000	53,000
Limit on exclusions for elective deferrals to 401(k) and other qualified plans	18,000	18,000
• 401(k) Catch-up amount	6,000	6,000
Maximum annual compensation for each employee that can be taken into account for any plan year	265,000	265,000
SIMPLE Retirement Accounts	12,500	12,500
• SIMPLE Catch-up amount	3,000	3,000
IRA Contribution	5,500	5,500
• IRA Catch-up amount	1,000	1,000
HSA annual contribution limit – Single Coverage	3,350	3,350
HSA annual contribution limit – Family Coverage	6,650	6,750

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# 2016 Federal Tax Guide



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## FEDERAL INDIVIDUAL INCOME TAX RATES FOR 2016

Tax Rate	Single Individuals	Married/ Joint	Married/ Separate	Head of Household
10% on taxable income to:	\$9,275	\$18,550	\$9,275	\$13,250
15% on next taxable income to:	37,650	75,300	37,650	50,400
25% on next taxable income to:	91,150	151,900	75,950	130,150
28% on next taxable income to:	190,150	231,450	115,725	210,800
33% on next taxable income to:	413,350	413,350	206,675	413,350
35% on next taxable income above:	415,050	466,950	233,475	441,000
39.6% on next taxable income above:	415,050	466,950	233,475	441,000

Taxpayers with income over \$200,000 who file individually or \$250,000 for married couples filing jointly could be subject to an additional 3.8% tax on net investment income. In general, investment income includes, but is not limited to, interest, dividends, capital gains, rental, and royalty income.

## STANDARD DEDUCTIONS FOR 2016

Status	Single Individuals	Married/ Joint	Married/ Separate	Head of Household
Basic	\$6,300	\$12,600	\$6,300	\$9,300
65 and Over	7,850	13,850 (one) 15,100 (both)	7,550	10,850
Blind	7,850	13,850 (one) 15,100 (both)	7,550	10,850
65 and Over and Blind	9,400	15,100 (one) 16,350 (both)	8,800	12,400

## PHASE OUT FOR PERSONAL EXEMPTION FOR 2016

Filing Status	Adj. Gross Income Beginning of Phase Out	Adj. Gross Income Exemption Fully Phased Out
Single Individuals	\$259,400	\$381,900
Married Filing Jointly or Surviving Spouse	311,300	433,800
Married Filing Separately	155,650	216,900
Head of Household	285,350	407,850

## KIDDIE TAX FOR 2016

The general treatment of unearned income for children under age 19, or a full-time student under age 24, is as follows:

Income	Tax
First \$1,050	Tax Free
Next \$1,050	Child's Rate
Over \$2,100	Parent's Rate

EXEMPTIONS / EXCLUSIONS	2015	2016
Individual Personal Exemption	\$4,000	\$4,050
Estates	600	600
Simple Trusts (distribute all income)	300	300
Complex Trusts (accumulate income)	100	100
Annual Gift Tax Exclusion	14,000	14,000
Annual Gift Exclusion To Non-U.S. Spouse	147,000	148,000

## INCOME TAX RATES ON ESTATES AND TRUSTS FOR 2016

Tax Rate	Limit
15% on Taxable Income to:	\$2,550
25% on next Taxable Income to:	5,950
28% on next Taxable Income to:	9,050
33% on next Taxable Income to:	12,400
39.6% on next Taxable Income above:	12,400

Estates and trusts are subject to the 3.8% Net Investment Income Tax if they have undistributed Net Investment Income and also have adjusted gross income over the dollar amount at which the highest tax bracket for an estate or trust begins (\$12,400 for 2016).

## GIFT TAX CREDIT, EFFECTIVE EXEMPTION AND RATES

Year	Applicable Credit Amount	Basic Exclusion Amount	Maximum Rate
2001	\$220,550	\$675,000	55%
2002	345,800	1,000,000	50
2003	345,800	1,000,000	49
2004	345,800	1,000,000	48
2005	345,800	1,000,000	47
2006	345,800	1,000,000	46
2007-2009	345,800	1,000,000	45
2010	330,800	1,000,000	35
2011	1,730,800	5,000,000	35
2012	1,772,800	5,120,000	35
2013	2,045,800	5,250,000	40
2014	2,081,800	5,340,000	40
2015	2,117,800	5,430,000	40
2016	2,125,800	5,450,000	40

The Applicable Exclusion Amount is the Basic Exclusion Amount plus any Deceased Spousal Unused Exclusion (DSUE).

## GENERATION-SKIPPING TRANSFER TAX

A generation-skipping transfer (GST) tax is imposed on gifts or bequests to persons more than one generation removed from the transferor ("skip persons") where there is a "taxable termination," "taxable distribution" or "direct skip." GST tax is in addition to any gift tax or estate tax that may be due. In general, the transferee pays the tax. Transferors have a \$5,450,000 lifetime GST tax exemption.

To determine the tax on generation-skipping transfers from trusts, multiply the maximum federal estate tax rate (40%) by the "inclusion ratio." The inclusion ratio is 1 minus the "applicable fraction."

$$\text{The applicable fraction} = \frac{\text{GST exemption allocation}}{\text{Net Transfer}}$$

## ESTATE TAX CREDIT, EFFECTIVE EXEMPTION AND RATES

Year	Applicable Credit Amount	Basic Exclusion Amount	Maximum Rate
2001	\$220,550	\$675,000	55%
2002	345,800	1,000,000	50
2003	345,800	1,000,000	49
2004	555,800	1,500,000	48
2005	555,800	1,500,000	47
2006	780,800	2,000,000	46
2007-2008	780,800	2,000,000	45
2009	1,455,800	3,500,000	45
*2010	1,730,800	5,000,000	35
2011	1,730,800	5,000,000	35
2012	1,772,800	5,120,000	35
2013	2,045,800	5,250,000	40
2014	2,081,800	5,340,000	40
2015	2,117,800	5,430,000	40
2016	2,125,800	5,450,000	40

The Applicable Exclusion Amount is the Basic Exclusion Amount plus any Deceased Spousal Unused Exclusion (DSUE).

\* In 2010 an optional estate tax treatment was available by election to have no estate tax and a modified carry-over basis treatment instead.

## GST TAX EXEMPTION AND RATES

Year	GST Tax Exemption	Maximum Marginal
2001	\$1,060,000	55%
2002	1,100,000	50
2003	1,120,000	49
2004	1,500,000	48
2005	1,500,000	47
2006	2,000,000	46
2007-2008	2,000,000	45
2009	3,500,000	45
2010	5,000,000	0
2011	5,000,000	35
2012	5,120,000	35
2013	5,250,000	40
2014	5,340,000	40
2015	5,430,000	40
2016	5,450,000	40