

## Tax Changes for 2016

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The [Internal Revenue Service](#) (IRS) has announced the inflation adjustments for certain tax benefits for 2016.

Below is a summary of the changes for the 2016 tax year. Please note that these changes will be effective as of Jan. 1, 2016. As such, these figures will be used to prepare your 2016 tax returns in 2017. *(All information below is from the IRS)*

- The **tax rate** of 39.6 percent affects singles whose income exceeds \$415,050 (\$466,950 for married taxpayers filing a joint return), up from \$413,200 and \$464,850, respectively. The other marginal rates – 10, 15, 25, 28, 33 and 35 percent – and income limits are below.
- The **standard deduction** rises to \$9,300 for heads of household, up from \$9,250. The other standard deductions remain the same: \$6,300 for singles and married persons filing separate returns and \$12,600 for married couples filing jointly.
- The limitation for **itemized deductions** to be claimed on 2016 tax year returns of individuals begins with incomes of \$259,400 or more (\$311,300 for married couples filing jointly).
- The **personal exemption** for the tax year of 2016 rises 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 limit on annual **contributions to an IRA** (Individual Retirement Arrangement) remains [unchanged at \\$5,500](#). The additional catch-up contribution limit for individuals aged 50 and over remains at \$1,000.
- The annual **gift tax exclusion** for gifts remains at \$14,000 for 2016.
- The lifetime exemption for gifting went from \$5,430,000 in 2015 to \$5,450,000 in 2016.
- The **elective deferral contribution** limit for employees who participate in 401(k), 403(b), and most 457 plans has not changed and remains at \$18,000. The catch-up contribution limit for employees aged 50 and over who participate in these plans also remains unchanged at \$6,000 for 2016.

### 2016 Taxable Income Brackets and Rates

Rate	Single Filers	Married Joint Filers	Head of Household Filers
10%	\$0 to \$9,275	\$0 to \$18,550	\$0 to \$13,250
15%	\$9,276 to \$37,650	\$18,551 to \$75,300	\$13,251 to \$50,400

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25%	\$37,651 to \$91,150	\$75,301 to \$151,900	\$50,401 to \$130,150
28%	\$91,151 to \$190,150	\$151,901 to \$231,450	\$130,151 to \$210,800
33%	\$190,151 to \$413,350	\$231,451 to \$413,350	\$210,801 to \$413,350
35%	\$413,350 to \$415,050	\$413,350 to \$466,950	\$413,351 to \$441,000
39.6%	\$415,051+	\$466,951+	\$441,001+

Sources:

1. In 2016, some tax benefits increase slightly due to inflation adjustments, others are unchanged: <https://www.irs.gov/uac/Newsroom/In-2016-Some-Tax-Benefits-Increase-Slightly-Due-to-Inflation-Adjustments,-Others-Are-Unchanged>
2. Elective deferral contribution limit: [https://www.irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations%3B-401\(k\)-Contribution-Limit-Remains-Unchanged-at-\\$18,000-for-2016](https://www.irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations%3B-401(k)-Contribution-Limit-Remains-Unchanged-at-$18,000-for-2016)

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