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2016 Income Tax Brackets

The Federal income tax has 7 brackets: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. The amount of tax you owe depends on your income level and filing status.

It's important to understand that moving into a higher tax bracket does not mean that all of your income will be taxed at a higher rate. Instead, only the money that you earn within a particular bracket is subject to that particular tax rate.

Single

Taxable Income	Tax Rate
\$0—\$9,275	10%
\$9,276—\$37,650	\$927.50 plus 15% of the amount over \$9,275
\$37,651—\$91,150	\$5,183.75 plus 25% of the amount over \$37,650
\$91,151—\$190,150	\$18,558.75 plus 28% of the amount over \$91,150
\$190,151—\$413,350	\$46,278.75 plus 33% of the amount over \$190,150
\$413,351—\$415,050	\$119,934.75 plus 35% of the amount over \$413,350
\$415,051 or more	\$120,529.75 plus 39.6% of the amount over \$415,050

Married Filing Jointly or Qualifying Widow(er)

Taxable Income	Tax Rate
\$0—\$18,550	10%
\$18,551—\$75,300	\$1,855 plus 15% of the amount over \$18,550
\$75,301—\$151,900	\$10,367.50 plus 25% of the amount over \$75,300
\$151,901—\$231,450	\$29,517.50 plus 28% of the amount over \$151,900
\$231,451—\$413,350	\$51,791.50 plus 33% of the amount over \$231,450
\$413,351—\$466,950	\$111,818.50 plus 35% of the amount over \$413,350
\$466,951 or more	\$130,578.50 plus 39.6% of the amount over \$466,950

Married Filing Separately

Taxable Income	Tax Rate
\$0—\$9,275	10%
\$9,276—\$37,650	\$927.50 plus 15% of the amount over \$9,275
\$37,651—\$75,950	\$5,183.75 plus 25% of the amount over \$37,650
\$75,951—\$115,725	\$14,758.75 plus 28% of the amount over \$75,950
\$115,726—\$206,675	\$25,895.75 plus 33% of the amount over \$115,725
\$206,676—\$233,475	\$55,909.25 plus 35% of the amount over \$206,675
\$233,476 or more	\$65,289.25 plus 39.6% of the amount over \$233,475

Head of Household

Taxable Income	Tax Rate
\$0—\$13,250	10%
\$13,251—\$50,400	\$1,325 plus 15% of the amount over \$13,250
\$50,401—\$130,150	\$6,897.50 plus 25% of the amount over \$50,400
\$130,151—\$210,800	\$26,835 plus 28% of the amount over \$130,150
\$210,801—\$413,350	\$49,417 plus 33% of the amount over \$210,800
\$413,351—\$441,000	\$116,258.50 plus 35% of the amount over \$413,350
\$441,001 or more	\$125,936 plus 39.6% of the amount over \$441,000

2016 Personal Exemptions

For tax year 2016, the personal exemption amount is **\$4,050** (compared to \$4,000 in 2015).

You are allowed to claim one personal exemption for yourself and one for your spouse (if married). However, if somebody else can list you as a dependent on their tax return, you are not permitted to claim a personal exemption for yourself.

The personal exemption amount "phases out" for taxpayers with higher incomes. The Personal Exemption Phaseout (PEP) thresholds are as follows:

Filing Status	PEP Threshold Starts	PEP Threshold Ends
Single	\$259,400	\$381,900
Married Filing Jointly	\$311,300	\$433,800
Married Filing Separately	\$155,650	\$216,900
Head of Household	\$285,350	\$407,850

2016 Standard Deductions

Filing Status	Standard Deduction
Single	\$6,300
Married Filing Jointly	\$12,600
Married Filing Separately	\$6,300
Head of Household	\$9,300
Qualifying Widow(er)	\$12,600

Note that there is an **additional standard deduction** for elderly or blind taxpayers, which is \$1,250 for tax year 2016. The additional standard deduction amount increases to \$1,550 if the individual is also unmarried and not a qualifying widow(er).

2016 Child Tax Credit

\$ 1,000.00 per child; phases out \$ 50.00 for each \$ 1,000.00 of modified AGI (rounded up to the next \$ 1,000 increment) over \$ 110,000 (Married/Filing Jointly) or \$ 75,000 (Single)

IRA's

In 2016, the limits on IRA contributions are:

Under age 50: \$5,500 Age 50 or older: \$6,500

These limits are for total contributions to IRAs — traditional or Roth

2016 Earned Income Credit

Earned Income and adjusted gross income must each be less than:

If filing...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$14,880	\$39,296	\$44,648	\$47,955
Married Filing Jointly	\$20,430	\$44,846	\$50,198	\$53,505

Investment income must be \$3,400 or less for the year.

The maximum amount of credit for Tax Year 2016 is:

- \$6,269 with three or more qualifying children
- \$5,572 with two qualifying children
- \$3,373 with one qualifying child
- \$506 with no qualifying children

2016 No Health Insurance Penalty

The fee is calculated 2 different ways – as a percentage of your household income, and per person. **You'll pay whichever is higher.**

Percentage of Income

- 2.5% of household income

Per Person

- \$695.00 per adult
- \$347.50 per child under 18
- Maximum: \$ 2,085.00

Using the percentage method, only the part of your household income that's above the yearly tax filing threshold (\$10,300 for individuals, \$20,600 for couples filing jointly in 2015, the most recent year available) is counted.

Using the per-person method, you pay only for people in your household who don't have insurance coverage.

If you have coverage for part of the year, the fee is 1/12 of the annual amount for each month you (or your tax dependents) don't have coverage. If you're uncovered only 1 or 2 months, you don't have to pay the fee at all.

Educational Credits

The **American opportunity tax credit (AOTC)** is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student. If the credit brings the amount of tax you owe to zero, you can have 40 percent of any remaining amount of the credit (up to \$1,000) refunded to you.

The amount of the credit is 100 percent of the first \$2,000 of qualified education expenses you paid for each eligible student and 25 percent of the next \$2,000 of qualified education expenses you paid for that student. But, if the credit pays your tax down to zero, you can have 40 percent of the remaining amount of the credit (up to \$1,000) refunded to you.

The **Lifetime Learning Credit** is for qualified tuition and related expenses paid for eligible students enrolled in an eligible educational institution. This credit can help pay for undergraduate, graduate and professional degree courses--including courses to acquire or improve job skills. There is no limit on the number of years you can claim the credit. It is worth up to \$2,000 per tax return.

The **tuition and fees deduction** can reduce the amount of your income subject to tax by up to \$4,000.

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