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Summary of Tax Rates, Tables & Often Used Items

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Overview

This document, prepared by A. David Bibler and Daniel Fretheim, attorneys in Iowa with significant tax practices, provides many of the useful tax tables and other information critical for preparing 2016 tax returns. The document is prepared annually for the Iowa Bar Tax School and is provided for posting on the WALTR articles pages as a service to tax practitioners.

2016 Farm Income Tax School

SUMMARY OF TAX RATES, TABLES &
OFTEN USED ITEMS

ADDITIONAL MATERIALS

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**FEDERAL INCOME TAX INFORMATION
FOR 2016 RETURNS PREPARED IN 2017**

STANDARD DEDUCTION 2016

Married filing joint	\$12,600	Add'l. deduction if blind &/or 65 or over (each):	
Head of Household	\$ 9,300	Married Qualifying Widow(er)	\$1,250
Single	\$ 6,300	Single/HOH	\$1,550
Married Filing Separately	\$ 6,300	Married Filing Separately	\$1,250
Qualifying Widower	\$12,600		

Standard Deduction for dependent taxpayer equals the greater of \$1,050 or the sum of \$350 and dependent's earned income up to basic standard deduction of \$6,300.

<u>PERSONAL EXEMPTION</u>		<u>FOREIGN EARNED INC EXCLUSION</u>		<u>SE HEALTH INS DEDUCTION</u>
2016	\$4,050	2016	\$101,300	BEG. 2003 & AFTER – 100%
2017	\$4,050	2017	\$102,100	

MILEAGE ALLOWANCE

	<u>Jan 1, 2016 – Dec 31, 2016</u>	<u>Jan 1, 2017 – Dec 31, 2017</u>
Business	54.0¢ per mile	54.0¢ per mile
Medical/Moving	19.0¢ per mile	19.0¢ per mile
Charity (Iowa)	39.0¢ per mile	39.0¢ per mile
Charity (Federal)	14.0¢ per mile	14.0¢ per mile

Mail Carrier: If actual expenses exceed equipment maintenance allowance, difference is a miscellaneous itemized deduction (Form 2106).

2016-2017 MEAL ALLOWANCE WITHOUT RECORDS

	Within Continental US		Outside Continental US	
Transportation Industry	2016-\$63	2017-\$63	2016-\$68	2017-\$68
Non-Transportation Industry	2016-\$57	2017-\$57	2016-\$68	2017-\$68

(For specific high cost designated areas, see www.gsa.gov)

Reduce cost of meals by 50% and if employee, subject to 2% AGI floor since taken on Schedule A. For employees subject to D.O.T. hours of service rules, use 80% for 2008 and after. If a taxpayer is traveling away from home for only a portion of the day, the taxpayer may deduct 75% of the M&IE per diem rate or may prorate the deduction according to a consistently applied reasonable business practice. **NOTE:** The incidental expenses only rate is \$5/day. IRS Notice 2016-58.

2016 PRODUCTION COSTS FOR SELF USE

Beef \$96 cwt. Live weight (\$736/head)	Eggs \$.58 per dozen
Pork \$35 cwt. Live weight (\$90/head)	Milk \$11.35 cwt. (\$.97/gal)
Lamb \$62 cwt. Live weight (\$78/head)	Chicken \$1.40 per 4 lb. bird

(Add on for hired labor, high interest, purchased grain)

**QUALIFIED TRANSPORTATION FRINGE
(MONTHLY LIMITS)**

	<u>2016</u>	<u>2017</u>
Vehicle/transit pass	\$255	\$255
Qualified Parking	\$255	\$255
Qualified Bicycle	\$ 20	\$ 20

ESTIMATED TAX PAYMENT SAFE HARBOR

General Rule: 90% of current year tax liability; or
100% of prior year tax liability (110% of prior year tax liability
if AGI over \$150,000 (MFJ)/\$75,000 (MFS)).

SECTION 179 EXPENSING

2016	\$500,000*
2017	\$510,000*

*subject to reduction if more than \$2,010,000 (\$2,030,000 for 2017) of purchases. Phased out completely at \$2,510,000 (\$2,540,000 for 2017). See limit of \$25,000 for heavy SUVs.

LUXURY AUTO & LIGHT TRUCK/VAN DEPRECIATION LIMITS - 2016

	<u>Auto</u>	<u>Lt. Truck/Van</u>
Year 1	\$3,160*	\$3,560**
Year 2	\$5,100	\$5,700
Year 3	\$3,050	\$3,350
Year 4	\$1,875	\$2,075

* \$11,160 with bonus depreciation. **11,560 with bonus depreciation

GASOLINE TAX RATES

	GASOLINE	ETHANOL BLENDED GASOLINE & E85
IOWA 1/1/16-6/30/16	\$.308	\$.293
IOWA 7/1/16-12/31/16	\$.307	\$.290
FEDERAL	\$.183	\$.183

MAXIMUM DEDUCTIBLE 401(K) CONTRIBUTION

2016	\$18,000 / \$24,000*
2017	\$18,000 / \$24,000*

MAX DEDUCTIBLE SIMPLE PLAN

2016	\$12,500 / \$15,500*
2017	\$12,500 / \$15,500*

MAX IRA CONTRIBUTION

2016	\$5,500 / \$6,500*
2017	\$5,500 / \$6,500*

* Age 50 catch up contribution

LONG TERM CARE PREMIUM LIMIT PER PERSON FEDERAL

AGE	2016	2017
0 -40	\$390	\$410
Over 40 – 50	\$730	\$770
Over 50 – 60	\$1460	\$1530
Over 60 – 70	\$3900	\$4090
Over 70	\$4870	\$5110

2016 excludable long term care per diem: \$340; 2017 = \$360.

NOTE: Iowa has no limitation on deductible amount.

*Starting 2017, all individuals may only deduct medical expenses that exceed 10% AGI for the year.

CAPITAL GAINS TAX RATES

DATE OF SALE	HOLDING PERIOD	Taxpayer's Ending Rate		
		15%	25% and over pre-2013	39.6% and over 2013 & after
Prior to 5/7/97	12 months	15%	28%	N/A
After 5/6/97 & prior to 7/29/87	12 months	10%	20%	N/A
After 7/28/97 & prior to 1/1/98	12 months	15%	28%	N/A
After 7/28/97 & prior to 1/1/98	18 months	10%	20%	N/A
After 12/31/97 & prior to 5/6/03	12 months	10%	20%	N/A
After 5/5/03 & prior to 1/1/08*	12 months	5%	15%	N/A
After 12/31/07 & prior to 1/1/13*	12 months	0%	15%	N/A
After 12/31/12*	12 months	0%	15%	20%

* Including qualifying dividends.

For tax years 2001, 2002 and through May 5, 2003 8%/18% capital gain rates may be available if five year holding period is met. For sales after May 5, 2003, the rule is abolished.

Gains on Sales of Collectibles are taxed at 28%.

IRC §1250 gains attributable to depreciation are taxed at a maximum rate of 25%.

UNEMPLOYMENT TAX

Non-Agricultural Employees – If one paid wages of \$2,000 or more in any calendar quarter or had 1 or more employees for some portion of at least 1 day during each of 20 different weeks.

Agricultural Employees – If cash wages of \$20,000 or more paid in any calendar quarter **OR** had 10 or more ag employees during some portion of a day (need not be at same time) at least 1 day during any 20 different weeks.

Domestic Employees – Wages of \$1,000 or more per quarter

FUTA Tax – First \$7,000 of wages subject to tax rate of 6.0% less 5.4% credit, with difference of .6% being the applicable rate.

SUPPLEMENTAL SOCIAL SECURITY (SSI) MAXIMUM MONTHLY BENEFITS

	<u>Single</u>	<u>Couple</u>
2013	710	1,066
2014	721	1,082
2015	733	1,100
2016	733	1,100
2017	735	1,103

COST OF MEDICARE – PART B

	<u>2016*</u>		<u>2017*</u>	
	Prior Retirees	New Enrollees	Prior Retirees	New Enrollees
Month	\$104.90	\$121.80	\$109.00	\$134.00
Year	\$1,258.80	\$1,461.60	\$1,308.00	\$1,608.00

*High income individuals may pay higher premium based on AGI.

2016 MONTHLY PREMIUMS - (NEW ENROLLEES)

If Your Yearly Income in 2014 was		PART B	PART D
		You pay	You pay
File Individual Tax Return	File Joint Tax Return		
\$85,000 or less	\$170,000 or less	\$121.80	**
above \$85,000 to \$107,000	above \$170,000 to \$214,000	\$170.50	\$12.70 **
above \$107,000 to \$160,000	above \$214,000 to \$320,000	\$243.60	\$32.80 **
above \$160,000 to \$214,000	above \$320,000 to \$428,000	\$316.70	\$52.80 **
above \$214,000	above \$428,000	\$389.80	\$72.90 **

**Plus, monthly premium established by private insurers.

2016 COLA FOR SOCIAL SECURITY IS 0%

2017 COLA FOR SOCIAL SECURITY IS .3%

SOCIAL SECURITY TAX & MEDICARE TAX

<u>2016 Employee</u>	<u>2016 Self-Employed</u>
.062	.1240
<u>.0145*</u>	<u>.0290*</u>
.0765	.1530

*Medicare portion of FICA tax increases by .009 for wages and .009 for self-employed earnings over \$250,000 for MFJ or Qualified Widow(er)/\$125,000 MFS; and over \$200,000 for Single or HOH. (Same for 2017).

EXCLUSION OF SOCIAL SECURITY BENEFITS FROM TAXABLE INCOME

Joint Return	\$32,000
Single Return	\$25,000
Married, Living together	
Filing Separately	\$ - 0 -

MAXIMUM EARNINGS ALLOWED SOCIAL SECURITY RECIPIENTS WITHOUT PENALTY

<u>Year</u>	<u>Age 62 to 65*</u>	<u>Age 66</u>
2013	\$15,120	unlimited**
2014	\$15,480	unlimited**
2015	\$15,720	unlimited**
2016	\$15,720	unlimited**
2017	\$16,920	unlimited**

* Excess earnings result in loss of \$1 for each \$2 earned above ceiling if age 62 – full retirement age.

** No limitation on earnings in and after the month in which a person attains full retirement age. If born between 1943 and 1954, full retirement age is 66 years.

Limitation for part of calendar year (during which the taxpayer reaches full retirement age) up to the date of full retirement; \$41,880 (\$3,490/mo.) for 2016; \$44,880 (\$3,740/month) for 2017. Excess earnings result in loss of \$1 for each \$3 earned above ceiling.

EARNED INCOME NECESSARY FOR SOCIAL SECURITY CREDIT

2013	\$1,160 per quarter or \$4,640 per year
2014	\$1,200 per quarter or \$4,800 per year
2015	\$1,220 per quarter or \$4,880 per year
2016	\$1,260 per quarter or \$5,040 per year
2017	\$1,300 per quarter or \$5,200 per year

MAXIMUM INCOME & TAX LIMITS

<u>Year</u>	<u>Maximum Taxable Income</u>	
	<u>Social Security</u>	<u>Medicare</u>
2012	\$110,100	No limit
2013	\$113,700	No limit
2014	\$117,000	No limit
2015	\$118,500	No limit
2016	\$118,500	No limit
2017	\$127,200	No limit

FICA & SELF-EMPLOYMENT TAXES

<u>Year</u>	<u>Maximum Wages</u>	<u>Employee Withholding</u>	<u>Maximum Withholding</u>	<u>Self-Employment</u>
2013	\$113,700	7.65% ^^	8,698.05	15.30%*^^
2014	\$117,000	7.65% ^^	8,950.50	15.30%*^^
2015	\$118,500	7.65%^^	9,065.25	15.30%*^^
2016	\$118,500	7.65%^^	9,065.25	15.30%*^^
2017	\$127,200	7.65% ^^	9,730.80	15.30%*^^

*1/2 may be claimed as a deduction.

^^ Medicare portion of FICA tax increases by .009 for wages and .009 for self-employed earnings over \$250,000 for MFJ or Qualified Widow(er)/\$125,000 MFS; and over \$200,000 for Single or HOH.

2016 RETIREMENT PLAN TAX CREDIT (Savers Credit)

(Modified AGI)

<u>Joint</u>	<u>Head of Household</u>	<u>Single & MFS</u>	<u>Credit Rate</u>
0 - \$37,000	0 - \$27,750	0 - \$18,500	50%
\$37,001 – \$40,000	\$27,751 - \$30,000	\$18,501 - \$20,000	20%
\$40,001 - \$61,500	\$30,001 - \$46,125	\$20,001 - \$30,750	10%
OVER \$61,500	OVER \$46,125	OVER \$30,750	0%

HSA LIMITS

	2016	2017
MAXIMUM CONTRIBUTION		
Individual	\$3,350	\$3,400
Family	\$6,750	\$6,750
Additional catch up amount (age 55)	\$1,000	\$1,000
MAXIMUM OUT OF POCKET EXPENSE		
Individual	\$6,550	\$6,550
Family	\$13,100	\$13,100
MINIMUM DEDUCTIBLE AMOUNT		
Individual	\$1,300	\$1,300
Family	\$2,600	\$2,600

EDUCATION CREDITS AND DEDUCTIONS

American Opportunity Tax Credit - 100% of first \$2,000 and 25% of next \$2,000 of eligible tuition, related expenses and course materials (e.g. books, etc.); maximum \$2,500 credit **per student** for each of first **four years** of post-secondary education. Measured by academic level on January 1st of each year. 40% of the credit or a maximum of \$1,000 is refundable unless student is subject to kiddie tax. The PATH Act of 2015 made the AOTC permanent.

Lifetime Learning Credit - 20% of eligible tuition and related expenses up to a maximum of \$10,000 of such expenses. Full credit: MAGI Sgl. \$55,000 or less; MFJ \$110,000 or less. Reduced credit: MAGI Sgl. \$55,001-\$65,000; MFJ \$110,001-\$130,000. May claim for an unlimited number of years.

Higher Education Expense Deduction –\$4,000 for Single MAGI of \$65,000 or less and \$130,00 or less MFJ; \$2,000 deduction for Single MAGI between \$65,001 and \$80,000 and between \$130,001 and \$160,000 MFJ. The PATH Act of 2015 extended this provision through December 31, 2016

Must elect between American Opportunity Credit OR Lifetime Learning Credit OR Higher Education Expense Deduction.

Qualified Education Loan Interest Deduction – MAGI to qualify: \$80,000 Single; \$160,000 MFJ. Up to \$2,500 deduction allowed.

CHILD TAX CREDIT

\$1,000 per qualifying child under age 17 as of December 31st, subject to phase out limits based on AGI.

CHILD CARE CREDIT

Expenses must be incurred to be gainfully employed. Limit of \$3,000 for one child, \$6,000 for two or more. Cannot exceed earned income of a single person or earned income of spouse with least amount of earned income. (NOTE: spousal earned income exception for handicapped or full-time student spouse.) Qualifying child must be under 13 or mentally or physically incapable. Must furnish over half of expense of maintaining home for dependent. Use Form 2441. List name, address and social security number of each provider.

2016 EARNED INCOME CREDIT

Need not be married or have dependents. Phase out, income and credit limits are:

SINGLE OR HEAD OF HOUSEHOLD

# Qualifying Children	Phase Out Income Limits	Maximum EIC Income Range	Maximum EIC
0	\$14,880	\$ 6,610 - \$ 8,270	\$ 506
1	\$39,296	\$ 9,920 - \$18,190	\$3,373
2	\$44,648	\$13,930 - \$18,190	\$5,572
3 or more	\$47,955	\$13,930 - \$18,190	\$6,269

MARRIED FILING JOINTLY

# Qualifying Children	Phase Out Income Limits	Maximum EIC Income Range	Maximum EIC
0	\$20,430	\$ 6,610 - \$13,820	\$ 506
1	\$44,846	\$ 9,920 - \$23,740	\$3,373
2	\$50,198	\$13,930 - \$23,740	\$5,572
3 or more	\$53,505	\$13,930 - \$23,740	\$6,269

EIC Tables – See Pub. 596. Investment income must be \$3,400 or less. If more than \$3,400 – no credit.

DAY CARE PROVIDERS

<u>Standard Meal/Snack Rates:</u>	<u>2016*</u>	<u>2017**</u>
Breakfast	\$1.32	\$1.31
Lunch/Dinner	\$2.48	\$2.46
Snack	\$0.74	\$.73

Add: Non-food items (containers, paper products, utensils, etc.)

***Effective July 1, 2015 – June 30, 2016; **Effective July 1, 2016 – June 30, 2017**

BEGINNING/ENDING PHASE OUT OF PERSONAL EXEMPTION

Joint/Qualifying Widow(er)	\$311,300 - \$433,800
Single	\$259,400 - \$381,900
Head of Household	\$285,350 - \$407,850
Married Filing Separately	\$155,650 - \$216,900

NOTE: For each \$2,500 above phase out range, taxable income will increase by \$80 per \$2,500 multiple.

BEGINNING PHASE OUT OF ITEMIZED DEDUCTIONS

Joint/Qualifying Widow(er)	\$311,300
Single	\$259,400
Head of Household	\$285,350
Married Filing Separately	\$155,650

NOTE: For income above the phase out limits, itemized deductions are reduced by the lesser of 3% of AGI or 80% of the itemized deductions otherwise allowable. For purposes of the AGI phase out, itemized deductions are **not** considered to include medical expenses, investment interest expense, casualty and theft losses and gambling losses. IRC §68(c).

IOWA INCOME TAX RATES FOR 2016

Use the tax tables if income on line 38 is \$ _____ or less.

If taxable income on line 38 is over \$ _____, multiply the excess over \$ _____ by 8.98% (.0898) and add it to \$ _____.

EXEMPTION CREDIT: Taxpayer/Spouse \$40
 Dependent \$40
 Blind/Over 65 \$20

Volunteer Firefighter/EMS/Reserve Peace Officer:
 2016 Credit = \$100

EXCLUSIONS: \$6,000 per taxpayer of pension/retirement benefits excluded – joint \$12,000 (does not include social security). **Military pension exclusion:** total exclusion from Iowa taxation for 2014 and after. This is in addition to above pension/retirement amounts.

2016 IOWA STANDARD DEDUCTION

(After deducting federal income tax)

\$1,970	Married filing separately (amount for each spouse)	[2017 - \$2,000]
\$1,970	Single	[2017 - \$2,000]
\$4,860	Joint, surviving spouse or unmarried head of household	[2017 - \$4,920]

Standard deduction cannot create a negative figure.

Deduct all health and long-term care insurance premiums as a Page One (line 18) deduction to arrive at Iowa net income, including health insurance premiums of 25 and 26 year old non-qualified dependents – Iowa did couple with this provision for 2012 and after.

College Savings Plan (\$529) – 2016 deductible amount for Iowa purposes \$3,188 per beneficiary; per donor (spouses are treated separately for this purpose).

2016 IOWA MARGINAL TAX RATES

INDIVIDUALS & ESTATES/TRUSTS

Over	But Not Over	The tax is
\$ 0	\$ 1,554	\$ 0.00 + 0.36%
\$1,554	\$ 3,108	\$ 5.59 + 0.72%
\$3,108	\$ 6,216	\$ 16.78 + 2.43%
\$6,216	\$13,986	\$ 92.30 + 4.50%
\$13,986	\$23,310	\$ 441.95 + 6.12%
\$23,310	\$31,080	\$ 1,012.58 + 6.48%
\$31,080	\$46,620	\$1,516.08 + 6.80%
\$46,620	\$69,930	\$2,572.80 + 7.92%
\$69,930	OVER	\$4,418.95 + 8.98%

IOWA DEPARTMENT OF REVENUE INTEREST RATES

2004-2005	5/10ths of 1% per month (6% per annum)
2006	7/10ths of 1% per month (8% per annum)
2007-2008	8/10ths of 1% per month (10% per annum)
2009	7/10ths of 1% per month (8% per annum)
2010-2017	4/10ths of 1% per month (5% per annum)

FEDERAL INCOME TAX RATES FOR 2016

Married Filing Jointly/Qualifying Widow(er)

<u>Taxable Income</u>		<u>Tax Rate</u>
<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$18,550	10.0%
	18,550 to \$75,300	\$ 1,855.00 + 15.0%
	75,300 to 151,900	10,367.50 + 25.0%
	151,900 to 231,450	29,517.50 + 28.0%
	231,450 to 413,350	51,791.50 + 33.0%
	413,350 to 466,950	111,818.50 + 35.0%
	466,950 & over	130,578.50 + 39.6%

Single

<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$ 9,275	10.0%
	9,275 to 37,650	\$ 927.50 + 15.0%
	37,650 to 91,150	5,183.75 + 25.0%
	91,150 to 190,150	18,558.75 + 28.0%
	190,150 to 413,350	46,278.75 + 33.0%
	413,350 to 415,050	119,934.75 + 35.0%
	415,050 & over	120,529.75 + 39.6%

Head of Household

<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$13,250	10.0%
	13,250 to 50,400	\$ 1,325.00 + 15.0%
	50,400 to 130,150	6,897.50 + 25.0%
	130,150 to 210,800	26,835.00 + 28.0%
	210,800 to 413,350	49,417.00 + 33.0%
	413,350 to 441,000	116,258.50 + 35.0%
	441,000 & over	125,936.00 + 39.6%

Married Filing Separately

<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$ 9,275	10.0%
	9,275 to 37,650	\$ 927.50 + 15.0%
	37,650 to 75,950	5,183.75 + 25.0%
	75,950 to 115,725	14,758.75 + 28.0%
	115,725 to 206,675	25,895.75 + 33.0%
	206,675 to 233,475	55,909.25 + 35.0%
	233,475 & over	65,289.25 + 39.6%

ADDITIONAL MEDICARE SURTAX ON PASSIVE INCOME

A 3.8% "medicare surtax" is effective Jan. 1, 2013 and after on net investment income (NII). The 3.8% tax is on the lesser of net investment income (NII) or the taxpayer's AGI in excess of \$250,000 MFJ/Qualifying Widow(er)/\$125,000 MFS; \$200,000 Single or HOH.

EXEMPTIONS FROM ALTERNATIVE MINIMUM TAX

Filing Status	2016 Exemption	Exemption Phase-out Range	2017 Exemption
Joint/Qualifying Widow(er)	\$83,800	\$159,700 - \$494,900	\$84,500
Single/Head of Household	\$53,900	\$119,700 - \$335,300	\$54,300
Married Filing Separately	\$41,900	\$ 79,850 - \$247,450	\$42,250
Estates & Trusts	\$23,900	\$ 79,850 - \$175,450	\$24,100
Child subject to Kiddie Tax	\$ 7,400 (plus child's earned income)		

ALTERNATIVE MINIMUM TAX RATES (LESS EXEMPTION)

Up to \$186,300	26% (\$93,150 if MFS)
Over \$186,300	28%

2016 FEDERAL TAX RATES FOR ESTATES & TRUSTS

If FEDERAL Taxable Income is:

<u>Over</u>	<u>But Not Over</u>	<u>The tax is</u>
\$ 0	\$2,550	15%
2,550	5,950	\$ 382.50 + 25%
5,950	9,050	1,232.50 + 28%
9,050	12,400	2,100.50 + 33%
12,400		3,206.00 + 39.6%

NOTE: Iowa estates/trusts rates are the same as individual rates.

2016 FEDERAL TAX RATES FOR CORPORATIONS

<u>Over</u>	<u>But Not Over</u>	<u>The Tax Is</u>
\$ 0	\$50,000	15%
50,000	75,000	\$ 7,500.00 + 25.0%
75,000	100,000	13,750.00 + 34.0%
100,000	335,000	22,250.00 + 39.0%
335,000	10,000,000	113,900.00 + 34.0%
10,000,000	15,000,000	3,400,000.00 + 35.0%
15,000,000	18,333,333	5,150,000.00 + 38.0%
18,333,333		6,416,667.00 + 35.0%

The 1992 Tax Act imposed a 35% marginal tax rate on corporate taxable income in excess of \$10,000,000. The maximum rate of tax on corporate net capital gains is also 35%, as is the rate for personal service corporations. The 35% marginal rate is effective for taxable years beginning on or after January 1, 1993.

A corporation with taxable income in excess of \$15,000,000 is required to increase its tax liability by the lesser of 3% of the excess or \$100,000 to recapture the benefits of the 34% rate. This provision effectively creates a 38% rate for corporate taxable income between \$15,000,000 and \$18,333,333.

2016 IOWA TAX RATES FOR CORPORATIONS

<u>Taxable Income</u>	<u>Tax Rate</u>
Under \$25,000	6% of taxable income
\$25,000 to \$100,000	8% of taxable income and subtract \$500
\$100,000 to \$250,000	10% of taxable income and subtract \$2,500
Over \$250,000	12% of taxable income and subtract \$7,500

STANDARD DEDUCTION - FILING REQUIREMENTS FOR 2016

<u>Filing Status</u>	<u>Standard Deduction</u>	<u>Must File If Income Over</u>
Single and:		
Under 65	\$ 6,300	\$ 10,350
65 or over	7,850	11,900
Under 65 & blind	7,850	11,900
65 or over & blind	9,400	13,450
Married Filing Jointly and:		
Both spouses under 65, neither blind	12,600	20,700
One spouse 65 or over	13,850	21,950
Both spouses 65 or over	15,100	23,200
One spouse blind, both under 65	13,850	21,950
Both spouses blind, both under 65	15,100	23,200
One spouse 65 or over & blind	15,100	23,200
One 65 or over, other under 65 & blind	15,100	23,200
One 65 or over, blind; one under 65, blind	16,350	24,450
Both spouses 65 or over & blind	17,600	25,700
Qualifying Widow(er) and:		
Under 65	12,600	16,650
Under 65 & blind	13,850	17,900
65 or over	13,850	17,900
65 or over & blind	15,100	19,150
Head of Household and:		
Under 65	9,300	13,350
Under 65 & blind	10,850	14,900
65 or over	10,850	14,900
65 or over & blind	12,400	16,450
Married Filing Separately and:		
Under 65	6,300	10,350
Under 65 & blind	7,550	11,600
65 or over	7,550	11,600
65 or over & blind	8,800	12,850
Married, Living Apart at End of 2015	----	4,050
Individual With Tax Year of Less Than 12 Months	----	4,050
Children/Other Dependents and:		
No unearned income	6,300	6,300
Unearned income of more than \$1	*	*
*(the greater of \$1050 or the individual's earned income plus \$350)		

If you are 65 on January 1, 2017, you are entitled to the age 65 exemption for your 2016 tax returns.

STANDARD DEDUCTION - FILING REQUIREMENTS, cont'd.

YOU MUST FILE IF:

- Your net self-employment earnings are \$400 or more.
- You are entitled to a refund of tax withheld from your wages or a refund based on the earned income credit for low income households.
- You are claimed as a dependent on another's return and had unearned income of \$350 or more **AND** total earned and unearned income of more than \$1,050 **OR** you had no unearned income, but your earned income was more than \$6,300.

EXEMPTION FROM KIDDIE TAX: For 2016, Kiddie Tax applies to a child under 18 years of age. Kiddie tax also applies to children age 18 (who are not full-time students) and for full-time students age 18-23 unless the child's earned income exceeds 50% of annual support. Use Form 8615 or Form 8814, as applicable. Exemption is \$2,100 (standard deduction of \$1,050 plus greater of standard deduction or itemized deductions related to production of investment income: $\$1,050 + \$1,050 = \$2,100$).

STANDARD DEDUCTION FOR DEPENDENTS WITH EARNED INCOME OF \$1,050 OR LESS

If your filing status is Single:

Your Standard Deduction is:

Under 65, not blind	\$1,050
65 or older or blind (\$1,050 + \$1,550)	\$2,600
65 or older and blind (\$1,050 + \$1,550 + \$1,550)	\$4,150

If your filing status is Married Filing Separately:
(AND YOUR SPOUSE DOES NOT ITEMIZE)

Your Standard Deduction is:

Under 65, not blind	\$1,050
65 or older or blind (\$1,050 + \$1,250)	\$2,300
65 or older AND blind (\$1,050 + \$1,250 + \$1,250)	\$3,550

COMPUTATION OF STANDARD DEDUCTION FOR DEPENDENTS UNDER 65, NOT BLIND, EARNED INCOME EXCEEDING \$1,050.

1. Enter earned income but not less than \$1,050 \$ _____
2. Enter \$6,300 if Single **OR** \$6,300 if Married Filing Separately & spouse doesn't itemize **OR** \$9,300 if HOH **OR** \$12,600 if Qualifying Widow(er). \$ _____
3. Enter smaller of Line 1 or 2. This is your standard deduction \$ _____

STANDARD DEDUCTIONS NEEDED FOR NET OPERATING LOSS CARRYBACK

	<u>Joint</u>	<u>HOH</u>	<u>Single</u>	<u>Married Filing Separately</u>
2007	10,700	7,850	5,350	5,350 =
2008	10,900	8,000	5,450	5,450 <
2009	11,400	8,350	5,700	5,700 >
2010	11,400	8,400	5,700	5,700 >
2011	11,600	8,500	5,800	5,800 ~
2012	11,900	8,700	5,950	5,950 ~
2013	12,200	8,950	6,100	6,100 #
2014	12,400	9,100	6,200	6,200 ^
2015	12,600	9,250	6,300	6,300 &
2016	12,600	9,300	6,300	6,300 &
2017	12,700	9,350	6,350	6,350 &

= ADD: \$1,050 if married filing joint or separately & over 65
\$1,300 if single or HOH or over 65.

< ADD: \$1,050 if married filing joint or separately & over 65
\$1,350 if single or HOH or over 65

> ADD: \$1,100 if married filing joint or separately & over 65
\$1,400 if single or HOH or over 65

~ ADD: \$1,150 if married filing joint or separately & over 65
\$1,450 if single or HOH or over 65

ADD: \$1,200 if married filing joint or separately & over 65
\$1,500 if single or HOH or over 65

^ ADD: \$1,200 if married filing joint or separately & over 65.
\$1,550 if single or HOH or over 65

& ADD: \$1,250 if married filing joint or separately & over 65
\$1,550 if single or HOH or over 65

PERSONAL EXEMPTIONS

2003	\$3,050	2009	\$3,650	2015	\$4,000
2004	\$3,100	2010	\$3,650	2016	\$4,050
2005	\$3,200	2011	\$3,700		
2006	\$3,300	2012	\$3,800		
2007	\$3,400	2013	\$3,900		
2008	\$3,500	2014	\$3,950		

**2016 MODIFIED ADJUSTED GROSS INCOME
THRESHOLD AMOUNTS/PHASEOUT RANGE**

FOR SINGLE AND HEAD OF HOUSEHOLD FILERS

DESCRIPTION	SINGLE & HEAD OF HOUSEHOLD	MAXIMUM CREDIT/DEDUCTION
Elderly/disabled credit	\$ 7,500 - \$17,500	
Dependent care credit (20% min. credit)	\$15,000 - \$43,000	35% reduced 1% for each \$2,000 over AGI credit range
Social Security Benefits taxation	\$25,000 - \$34,000 = 50% \$34,000 – above = 85%	
Lifetime Learning Credit	\$55,000 - \$65,000	\$2,000
IRA deduction (if pension coverage)	\$61,000 - \$71,000	\$5,500 max contrib. \$1000 catch-up age 50 and over
Tuition Deduction	\$0 - \$65,000 \$65,001 - \$80,000	\$4,000 \$2,000
Education loan interest exp.	\$65,000 - \$80,000	\$2,500
Child Tax Credit: (1 child)	\$75,000 - \$ 94,001	\$ 1,000*
(2 children)	\$75,000 - \$114,001	\$ 2,000*
(3 children)	\$75,000 - \$134,001	\$ 3,000*
U.S. Savings Bond Interest exclusion	\$77,550 - \$92,550	To extent of qualified Education expense
American Opportunity Credit	\$80,000 - \$90,000	\$2,500
Coverdale Education Savings Account (CESA) (Education IRA)	\$95,000 - \$110,000	\$2,000
Mortgage Insurance Premium Deduction	\$100,000 - \$109,000	
Passive rental loss (\$25,000) exception	\$100,000 - \$150,000	
Rollover to Roth IRA	No limitation after 12/31/09	
Roth IRA	\$117,000 - \$132,000	\$5,500 max contrib. \$1000 catch-up age 50 and over
AMT exemption	\$119,700 - \$335,300	
Adoption credit/exclusion	\$201,920 - \$241,920	\$13,460 (Reg. or special needs)
Phase-out of Personal Exemption	\$259,400 - \$381,900 – Single \$285,350 - \$407,850 – Head of Household	Phase-out is \$80 per \$2,500 multiples
Phase-out of Itemized Deductions Begin:	\$259,400 – Single \$285,350 – Head of Household	For income above the limits, itemized deductions decrease by lesser of 3% of AGI or 80% of itemized deductions.

* Under 17 as of December 31, 2016.

**2016 MODIFIED ADJUSTED GROSS INCOME
THRESHOLD AMOUNTS – PHASEOUT RANGE**

FOR MARRIED FILING JOINT AND MARRIED FILING SEPARATE FILERS

DESCRIPTION	MARRIED FILING JOINT	MARRIED FILING SEPARATELY
Elderly/disabled Credit	\$10,000 - \$25,000	\$5,000 - \$12,500
Dependent care credit	\$15,000 - \$43,000	No credit
Social security benefits taxation	\$32,000 - 44,000 = 50% \$44,000 – above = 85%	No threshold exemption unless lived apart from spouse entire tax yr.
IRA deduction (active participant pension coverage)	\$98,000 - \$118,000	\$0 - \$10,000
Rollover to Roth IRA	No limitation after 12/31/09	Not allowed
Mortgage Insurance Premium Deduction	\$100,000 - \$109,000	\$50,000 - \$54,500
Tuition Deduction	\$ 0 - \$130,000 \$130,001 - \$160,000	\$4,000 \$2,000
Passive rental loss (\$25,000) exception	\$100,000 - \$150,000	\$50,000 - \$75,000 (See spec. rules)
Child tax credit: (1 child) \$1,000*	\$110,000 - \$129,001	\$55,000 - \$74,001
(2 children)\$2,000*	\$110,000 - \$149,001	\$55,000 - \$94,001
(3 children)\$3,000*	\$110,000 - \$169,001	\$55,000 - \$114,001
Lifetime Learning Credit	\$111,000 - \$131,000	No Credit
U.S. savings bond interest exclusion (qualified educ. exp.)	\$116,300 - \$146,300	No exclusion
Education loan interest expense	\$130,000 - \$160,000	No deduction
AMT exemption	\$159,700 - \$494,900	\$79,850 - \$247,450
American Opportunity Credit	\$160,000 - \$180,000	No Credit
IRA deduction if other spouse has pension coverage-(not active participant threshold)	\$184,000 - \$194,000	\$0 - \$10,000 (if lived apart from spouse entire tax year treated as single)
Roth IRA	\$184,000 - \$194,000	\$0 - \$10,000
Coverdale Education Savings Account (CESA) (Education IRA)	\$190,000 - \$220,000	\$95,000 - \$110,000
Adoption credit/exclusion	\$201,920 - \$241,920	No credit/exclusion
Phase-out Personal Exemption	\$311,300 - \$433,800	\$155,650 - \$216,900
Phase-out of Itemized Deductions Begin	\$311,300	\$155,650

* Under 17 as of December 31, 2016

PLANNING & FORM 1041 FOR 2016

QUESTION: Would it be advisable to pay income tax within the estate or trust, with the 15% bracket being only the first \$2,550 after exemptions (\$600 for estate; \$300 for simple trust) with taxes escalating up to 39.6% as income reaches \$12,400?

ANSWER: ABSOLUTELY NOT! Under current tax rates for estates and trusts, seriously consider passing income out to the beneficiaries and issuing a Form K-1 to the individual so they can pay tax at a much more favorable rate. See below:

TRUST

Exemption	\$ 300
15% Bracket	2,550
(Next \$3,400 @ 25%)	\$ 2,850

ESTATE

Exemption	\$ 600
15% Bracket	2,550
(Next \$3,400 @ 25%)	\$ 3,150

SINGLE PERSON

Standard Deduction (Add \$1,550 if 65)	\$ 6,300
Exemption	4,050
10% Bracket 0-\$ 9,275	9,275
15% Bracket \$9,275-\$37,650	28,375
(Next \$53,500 @25%)	\$48,000

JOINT RETURN

Standard Deduction (Add \$1,250 if 65)	\$12,600
Exemptions (2) (\$4,050 x 2)	8,100
10% Bracket 0-\$18,550	18,550
15% Bracket \$18,550-\$75,300	56,750
(Next \$76,600 @25%)	\$96,000

THE 15% TAX WINDOW THE BENEFICIARY SHOULD TAKE ADVANTAGE OF



TRUST-\$2,850

ESTATE-\$3,150

SINGLE-\$48,000

JOINT-\$96,000

FORM W-2: BOX 12 CODES

Form W-2 Reference Guide for Box 12 Codes

A	Uncollected social security or RRTA tax on tips	K	20% excise tax on excess golden parachute payments	V	Income from exercise of nonstatutory stock option(s)
B	Uncollected Medicare tax on tips (but not Additional Medicare Tax)	L	Substantiated employee business expense reimbursements (nontaxable)	W	Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)
C	Taxable cost of group-term life insurance over \$50,000	M	Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	Y	Deferrals under a section 409A nonqualified deferred compensation plan
D	Elective deferrals to a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	N	Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (but not Additional Medicare Tax)(former employees only)	Z	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
E	Elective deferrals under a section 403(b) salary reduction agreement	P	Excludable moving expense reimbursements paid directly to employee	AA	Designated Roth contributions under a section 401(k) plan
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	Q	Nontaxable combat pay	BB	Designated Roth contributions under a section 403(b) plan
G	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	R	Employer contributions to an Archer MSA	CC	HIRE exempt wages and tips (2010 only)
H	Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	S	Employee salary reduction contributions under a section 408(p) SIMPLE plan	DD	Cost of employer-sponsored health coverage
J	Nontaxable sick pay	T	Adoption benefits	EE	Designated Roth contributions under a governmental section 457(b) plan

FORM 1099-R: BOX 7 -- DISTRIBUTION CODES

- Code 1: Early distribution, no known exception (in most cases, under age 59½) See Form 5329
- Code 2: Early distribution, exception applies (under age 59½)*
- Code 3: Disability*
- Code 4: Death*
- Code 5: Prohibited transaction – prohibited or improper use of account. The account is no longer an IRA.
- Code 6: IRC §1035 exchange (a tax-free exchange of life insurance, annuity, qualified long-term care insurance or endowment contracts)
- Code 7: Normal distribution
- Code 8: Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in current year
- Code 9: Cost of current life insurance protection (premiums paid by a trustee or custodian for current insurance protection, taxable to you currently)
- Code A: May be eligible for 10-year tax option for computing tax on lump-sum distributions. See Form 4972
- Code B: Designated Roth account distribution (not a qualified distribution)
- Code D: Annuity payments from nonqualified annuities that may be subject to tax under IRC §1411.
- Code E: Distributions under Employee Plans Compliance Resolution System (EPCRS)
- Code F: Charitable gift annuity
- Code G: Direct rollover of a distribution (other than from a designated Roth account) to a qualified plan, a tax-sheltered annuity IRC §403(b), a governmental IRC §457(b) plan, or an IRA
- Code H: Direct rollover of a designated Roth account distribution to a Roth IRA
- Code J: Early distribution from a Roth IRA, no known exception (in most cases, under age 59½). Report on Forms 1040 and 8606 and see Form 5329
- Code K: Distributions of traditional IRA assets not having a readily available FMV (e.g. stocks, real estate, ownership interests in LLCs or partnerships, etc.)
- Code L: Loans treated as deemed distributions under IRC §72(p)
- Code N: Recharacterized IRA contribution made for 2016 and recharacterized in 2016 Report on Form 1040/1040A and Form 8606, if applicable
- Code P: Excess contributions plus earnings/excess deferrals taxable in 2015
- Code Q: Roth IRA qualified distribution. You are age 59½ or over and meet the 5-year holding period for a Roth IRA
- Code R: Recharacterized IRA contribution made for 2015 and recharacterized in 2016
- Code S: Early distribution from a SIMPLE IRA in first 2 years, no known exception (under age 59½). May be subject to an additional 25% tax. See Form 5329
- Code T: Roth IRA distribution, exception applies. You are either age 59½ (or over) or an exception (code 3 or 4) applies (not sure if 5-year holding period has been met)
- Code U: Dividends distributed from an ESOP under IRC §404(k) – not eligible for rollover
- Code W: Charges or payments for purchasing qualified long-term care insurance contracts under combined arrangements

***You are not required to file Form 5329.**