



## Fall 2016 Bulletin

### ANNUAL INFLATION ADJUSTMENTS FOR 2016

Every year, the IRS issues the annual inflation adjustments for more than 50 tax provisions as well as the 2016 tax rate tables for individuals and estates and trusts (Rev. Proc. 2015-53). The following list provides you with certain inflation adjustment amounts for 2016.

Among the inflation-adjusted amounts that have increased is the personal exemption, which increases from \$4,000 for 2015 to \$4,050 for 2016; however, the standard deduction for married taxpayers filing joint returns stays the same, \$12,600 in 2015 and 2016. It also stays the same for single taxpayers and married taxpayers filing separately: \$6,300. The standard deduction does increase for heads of households from \$9,250 to \$9,300. In addition, the adoption credit under Sec. 23 is inflation-adjusted from \$13,400 in 2015 to \$13,460 in 2016.

Under the new tax table, the income level at which married taxpayers filing joint returns are subject to the highest bracket of 39.6% increases from \$464,850 in 2015 to \$466,950 in 2016. Head-of-household filing status is subject to the 39.6% tax rate on income over \$441,000, increased from \$439,000 in 2015.

The inflation-adjusted unified credit against the estate tax, has also increases from \$5.43 million for 2015 to \$5.45 million for 2016. The annual gift tax exclusion remains at \$14,000.

The alternative minimum tax exemption amount for 2016 is \$83,800 for married taxpayers filing joint returns and \$53,900 for single taxpayers. The Sec. 911 foreign earned income exclusion increases from \$100,800 for 2015 to \$101,300 for 2016.

The revenue procedure also includes the inflation adjustments for the Sec. 24 child tax credit, the Sec. 25A Hope scholarship and lifetime learning credits, the Sec. 32 earned income tax credit, and the Sec. 221 deduction for interest on qualified education loans, and many other provisions.

For the first time, failure-to-file penalties are inflation-adjusted as a result of the enactment of the Tax Increase Prevention Act of 2014. An example of an inflation-adjusted penalty amount is the Sec. 6722 penalty for failure to furnish correct payee statements, which is increased from \$250 to \$260 for inflation.

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