



## WHAT'S NEW IN TAXES FOR 2017

by Robert D Flach  
the internet's [Wandering Tax Pro](#)

Here is the inflation-adjusted and COLA numbers for tax year 2017.

### THE STANDARD DEDUCTION

- Single and Married Filing Separate = \$6,350
- Married Filing Joint and Qualifying Widow(er) = \$12,700
- Head of Household = \$9,350

The Standard Deduction for a dependent is the greater of (1) \$1,050, or (2) the sum of \$350 and the individual's earned income (up to \$6,350).

The additional Standard Deduction amount for the age 65 or older or blind is \$1,250 for married individuals and \$1,550 for Single and Head of Household.

### PERSONAL EXEMPTION

The personal exemption is \$4,050.

### THE PEP REDUCTION OF PERSONAL EXEMPTIONS

Personal exemptions are reduced by 2% for each \$2,500 (\$1,250 if Married Filing Separate), or portion thereof, that a taxpayer's Adjusted Gross Income (AGI) exceeds –

- \$261,500 = Single filers
- \$287,650 = Head of Household
- \$313,800 = Married Filing Joint or Qualifying Widow(er)
- \$156,900 = Married Filing Separate

Personal exemptions are totally phased out at AGIs of –

- \$384,000 = Single
- \$410,150 = Head of Household
- \$436,300 = Married Filing Joint or Qualifying Widow(er)
- \$218,150 = Married Filing Separate.

### LONG-TERM CARE INSURANCE PREMIUM AGE-BASED DEDUCTION LIMITS

- Age 40 or less = \$410
- Age 41-50 = \$770
- Age 51-60 = \$1,530
- Age 61-70 = \$4,090
- Age 71 + older = \$5,110

## THE PEASE REDUCTION OF ITEMIZED DEDUCTIONS

Itemized deductions are reduced by 3% of the amount a taxpayer's AGI exceeds –

- \$261,500 = Single filers
- \$287,650 = Head of Household
- \$313,800 = Married Filing Joint or Qualifying Widow(er)
- \$156,900 = Married Filing Separate.

The reduction cannot exceed 80% of total itemized deductions (not including any deductions for medical expenses, investment interest, and casualty, theft, or gambling losses).

## CONTRIBUTION LIMITS FOR TAX-DEFERRED PENSION PLANS - (no changes from 2016)

- IRA = \$5,500
- IRA Catch-Up Contributions at age 50 and older = \$1,000
- SIMPLE Plan = \$12,500
- SIMPLE Catch-Up Contributions at age 50 and older = \$3,000
- 401(k), 403(b), 457, and federal Thrift Savings Plan = \$18,000
- 401(k), 403(b), 457, and federal Thrift Savings Plan Catch-Up Contributions at age 50 and older = \$6,000

The AGI phase-out range for contributions to a traditional IRA by taxpayers who are active participants in an employer retirement plan is phased out for -

- \$62,000 - \$72,000 = Single and Head of Household
- \$99,000 - \$119,000 = Married Filing Joint and Qualifying Widow(er)
- \$0 - \$10,000 = Married Filing Separate

The deduction on a joint return for a spouse that is not an active participant in an employer plan, but who is married to one who is, phases out at AGI of \$186,000 to \$196,000.

The AGI phase-out range for taxpayers making contributions to a Roth IRA is -

- \$118,000 - \$133,000 = Single and Head of Household
- \$186,000 to \$196,000 = Married Filing Joint and Qualifying Widow(er)
- \$0 - \$10,000 = Married Filing Separate

## HEALTH CARE FLEXIBLE SPENDING ARRANGEMENT

The maximum amount that an employee can contribute to an employer-sponsored "pre-tax" Flexible Spending Arrangement (FSA) for health care expenses is \$2,600.

## EDUCATOR EXPENSES

The adjustment to income for expenses paid by grade K-12 teachers, instructors, counselors, principals, and aides for books, supplies, computer hardware, software, and services, equipment, and supplementary materials is limited to \$250, or \$500 on joint returns if both spouses qualify.

## STUDENT LOAN INTEREST

The deduction for student loan interest, capped at \$2,500, phases out at AGI between \$65,000 to \$80,000 for Single, Head of Household and Qualifying Widow(er) and \$135,000 to \$165,000 for Married Filing Joint. No deduction is allowed on a Married Filing Separate return.

## TAX RATE SCHEDULES

Tax Rate	Single	Married Filing Joint Qualifying Widow(er)	Married Filing Separate	Head of Household
10%	Up to \$9,325	Up to \$18,650	Up to \$9,325	Up to \$13,350
15%	\$9,326–\$37,950	\$18,651–\$75,900	\$9,326–\$37,950	\$13,351–\$50,800
25%	\$37,951–\$91,900	\$75,901–\$153,100	\$37,951–\$76,550	\$50,801–\$131,200
28%	\$91,901–\$191,650	\$153,101–\$233,350	\$76,551–\$116,675	\$131,201–\$212,500
33%	\$191,651–\$416,700	\$233,351–\$416,700	\$116,676–\$208,350	\$212,501–\$416,700
35%	\$416,701–\$418,400	\$416,701–\$470,700	\$208,351–\$235,350	\$416,701–\$444,550
39.6%	Over \$418,400	Over \$470,700	Over \$235,350	Over \$444,550

## LIFETIME LEARNING CREDIT

The AGI phase-out range for taxpayers claiming a Lifetime Learning Credit is \$56,000 to \$66,000 for Single, Head of Household and Qualifying Widow(er) and \$112,000 to \$132,000 for Married Filing Joint and Qualifying Widow(er). No credit is allowed on a Married Filing Separate return.

## THE RETIREMENT SAVINGS CONTRIBUTIONS CREDIT

The Retirement Savings Contributions Credit is available to qualified taxpayers with AGI of not more than –

- \$31,000 = Single, Married Filing Separate and Qualified Widow(er)
- \$46,500 = Head of Household
- \$62,000 = Married Filing Joint

## SAVINGS BOND INTEREST EXCLUSION FOR EDUCATION COSTS

The exclusion for interest earned on US Savings Bonds used for higher education expenses is phased out for AGIs of \$78,150 to \$93,150 for single filers (includes Head of Household and Married Filing Separate filers) and \$117,250 to \$147,250 for joint filers and Qualified Widow(ers).

## THE ALTERNATIVE MINIMUM TAX

The AMT exemption amount is –

- \$54,300 - Single and Head of Household
- \$84,500 - Married Filing Joint and Qualifying Widow(er)
- \$42,250 - Married Filing Separate

The AMT exemption is reduced as Alternative Minimum Taxable Income exceeds –

- \$120,700 – Single and Head of Household
- \$160,900 – Married Filing Joint and Qualifying Widow(er)
- \$ 80,450 – Married Filing Separately

The 28% AMT tax rate kicks in at AMT net taxable income (after deducting the exemption allowed) of \$187,800 (\$93,900 for Married Filing Separate).

### THE NET INVESTMENT INCOME TAX

The Net Investment Income Tax is a surtax of 3.8% on the lesser of Modified Adjusted Gross Income (MAGI) in excess of the threshold amount for your filing status or net investment income.

Net Investment Income includes taxable interest, dividends, net capital gains, annuities, royalties, net rental income, and other passive income less deductible penalties on early withdrawal of savings, state income taxes on the investment income, investment interest, and miscellaneous investment expenses.

The MAGI threshold amounts are:

Married Filing Jointly or Qualifying Widow(er) = \$250,000

Single or Head of Household = \$200,000

Married Filing Separately = \$125,000

If you are married filing a joint return and your MAGI is \$260,000 and net investment income is \$7,000 you pay the surtax on \$7,000. If net investment income is \$12,000 you pay the surtax on \$10,000.

### THE MEDICARE SURTAX

An additional 0.9% Medicare Tax is assessed on wages and self-employment income in excess of the following amounts:

Married Filing Jointly or Qualifying Widow(er) = \$250,000

Single or Head of Household = \$200,000

Married Filing Separately = \$125,000

The additional 0.9% Medicare Tax may or may not be withheld from your wages by your employer. If it is it is treated on the Form 1040 as additional income tax withholding.

### FOREIGN EARNED INCOME

The foreign earned income exclusion is \$102,100.

### KIDDIE TAX

The amount which is used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax" is \$1,050.

## SOCIAL SECURITY WAGE BASE

The wage base for computing the Social Security component of the FICA tax is 127,200. The maximum withholding for Social Security tax is \$7,886.40.

The self-employment tax imposed on self-employed people is 12.4% Social Security tax on the first \$127,200 of self-employment income, for a maximum of \$15,772.80, plus 2.90% Medicare tax on the all self-employment income.

## ESTATE AND GIFT TAX

The annual gift tax exclusion is \$14,000 per person.

The estate tax exemption, also known as the unified credit, is \$5,490,000.

*If you have any questions about the information provided herein please consult your, or a, tax professional. You can begin your search for a tax professional at my website*

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# TAX GUIDE FOR NEW HOMEOWNERS

by 44-year veteran tax preparer Robert D Flach  
the internet's "Wandering Tax Pro"

A detailed discussion of all of the special tax benefits available to homeowners, including -

- ✓ itemized deductions for real estate taxes, mortgage interest, refinancing, points, and mortgage insurance premiums
- ✓ the home office deduction,
- ✓ rental income and deductions for a 2-family home,
- ✓ the home sale exclusion, and
- ✓ Alternative Minimum Tax issues.

This guide also contains sections on "Choosing A Tax Professional" and "What's New In Taxes for 2016" and special worksheets, with detailed instructions, on how to keep track of the different types of mortgage interest.

The cost of this valuable resource is **only \$7.95!** The guide will be sent to you as a pdf email attachment. A print edition sent via postal mail is also available for \$9.95

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