



Peter Franchot

TAXPAYER *Tips*

In 2017, IRS Says Some Tax Benefits Increase Slightly Due to Inflation, Others Remain Unchanged

ANNAPOLIS, Md. (October 26, 2016) — The Internal Revenue Service has announced the tax year 2017 annual inflation adjustments for more than 50 tax provisions, including the tax rate schedules, and other tax changes. Revenue Procedure 2016-55 provides details about the annual adjustments. The tax year 2017 adjustments generally are used on tax returns filed in 2018. The tax items for tax year 2017 of greatest interest to most taxpayers include the following dollar amounts:

- The standard deduction for married filing jointly rises to \$12,700 for tax year 2017, up \$100 from the prior year. For single taxpayers and married individuals filing separately, the standard deduction rises to \$6,350 in 2017, up from \$6,300 in 2016. For heads of households, the standard deduction will be \$9,350 for tax year 2017, up from \$9,300 for tax year 2016.
- The personal exemption for tax year 2017 remains as it was for 2016: \$4,050. However, the exemption is subject to a phase-out that begins with adjusted gross incomes of \$261,500 (\$313,800 for married couples filing jointly). It phases out completely at \$384,000 (\$436,300 for married couples filing jointly.)
- For tax year 2017, the 39.6 percent tax rate affects single taxpayers whose income exceeds \$418,400 (\$470,700 for married taxpayers filing jointly), up from \$415,050 and \$466,950, respectively. The other marginal rates – 10, 15, 25, 28, 33 and 35 percent – and the related income tax thresholds for tax year 2017 are described in the revenue procedure.
- The limitation for itemized deductions to be claimed on tax year 2017 returns of individuals begins with incomes of \$287,650 or more (\$313,800 for married couples filing jointly).
- The Alternative Minimum Tax exemption amount for tax year 2017 is \$54,300 and begins to phase out at \$120,700 (\$84,500, for married couples filing jointly for whom the exemption begins to phase out at \$160,900). The 2016 exemption amount was \$53,900 (\$83,800 for married couples filing jointly). For tax year 2017, the 28 percent tax rate applies to taxpayers with taxable incomes above \$187,800 (\$93,900 for married individuals filing separately).
- The tax year 2017 maximum Earned Income Credit amount is \$6,318 for taxpayers filing jointly who have three or more qualifying children, up from a total of \$6,269 for tax year 2016. The revenue procedure has a table providing maximum credit amounts for other categories, income thresholds and phase-outs.

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- For tax year 2017, the monthly limitation for the qualified transportation fringe benefit is \$255, as is the monthly limitation for qualified parking,
- For calendar year 2017, the dollar amount used to determine the penalty for not maintaining minimum essential health coverage is \$695.
- For tax year 2017 participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than \$2,250 but not more than \$3,350; these amounts remain unchanged from 2016. For self-only coverage, the maximum out of pocket expense amount is \$4,500, up \$50 from 2016. For tax year 2017, participants with family coverage, the floor for the annual deductible is \$4,500, up from \$4,450 in 2016; however, the deductible cannot be more than \$6,750, up \$50 from the limit for tax year 2016. For family coverage, the out-of-pocket expense limit is \$8,250 for tax year 2017, an increase of \$100 from tax year 2016.
- For tax year 2017, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$112,000, up from \$111,000 for tax year 2016.
- For tax year 2017, the foreign earned income exclusion is \$102,100, up from \$101,300 for tax year 2016.
- Estates of decedents who die during 2017 have a basic exclusion amount of \$5,490,000, up from a total of \$5,450,000 for estates of decedents who died in 2016.

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