

2016 Tax Facts

Ordinary Tax Rates and Brackets

| | Taxable Income | Pay | % on excess | Of the amount over: |
|---------------------------------------|-------------------|------------|-------------|---------------------|
| Single | \$0 - \$9,275 | \$0 | 10% | \$0 |
| | 9,275 - 37,650 | 927.50 | 15 | 9,275 |
| | 37,650 - 91,150 | 5,183.75 | 25 | 37,650 |
| | 91,150 - 190,150 | 18,558.75 | 28 | 91,150 |
| | 190,150 - 413,350 | 46,278.75 | 33 | 190,150 |
| | 413,350 - 415,050 | 119,934.75 | 35 | 413,350 |
| | 415,050+ | 120,529.75 | 39.6 | 415,050 |
| Married Filing Jointly | \$0 - \$18,550 | \$0 | 10% | \$0 |
| | 18,550 - 75,300 | 1,855.00 | 15 | 18,550 |
| | 75,300 - 151,900 | 10,367.50 | 25 | 75,300 |
| | 151,900 - 231,450 | 29,517.50 | 28 | 151,900 |
| | 231,450 - 413,350 | 51,791.50 | 33 | 231,450 |
| | 413,350 - 466,950 | 111,818.50 | 35 | 413,350 |
| | 466,950+ | 130,578.50 | 39.6 | 466,950 |
| Married Filing Separately | \$0 - \$9,275 | \$0 | 10% | \$0 |
| | 9,275 - 37,650 | 927.50 | 15 | 9,275 |
| | 37,650 - 75,950 | 5,183.75 | 25 | 37,650 |
| | 75,950 - 115,725 | 14,758.75 | 28 | 75,950 |
| | 115,725 - 206,675 | 25,895.75 | 33 | 115,725 |
| | 206,675 - 233,475 | 55,909.25 | 35 | 206,675 |
| | 233,475+ | 65,289.25 | 39.6 | 233,475 |
| Head of Household | \$0 - \$13,250 | \$0 | 10% | \$0 |
| | 13,250 - 50,400 | 1,325.00 | 15 | 13,250 |
| | 50,400 - 130,150 | 6,897.50 | 25 | 50,400 |
| | 130,150 - 210,800 | 26,835 | 28 | 130,150 |
| | 210,800 - 413,350 | 49,417 | 33 | 210,800 |
| | 413,350 - 441,000 | 116,258.50 | 35 | 413,350 |
| | 441,000+ | 125,936 | 39.6 | 441,000 |
| Estates and Non-grantor Trusts | \$0 - \$2,550 | \$0 | 15% | \$0 |
| | 2,550 - 5,950 | 382.50 | 25 | 2,550 |
| | 5,950 - 9,050 | 1,232.50 | 28 | 5,950 |
| | 9,050 - 12,400 | 2,100.50 | 33 | 9,050 |
| | 12,400+ | 3,206 | 39.6 | 12,400 |

- The tax rate on long-term capital gains and qualified dividends for individuals, estates and grantor trusts varies as income rises:

| Tax Bracket | Tax Rate |
|-----------------|----------|
| 15% or lower | 0% |
| 25% through 35% | 15% |
| 39.6% | 20% |

- In addition, married taxpayers with Modified AGI over \$250,000 (singles over \$200,000) and estates/non-grantor trusts in the top tax bracket are subject to an additional 3.8% tax on Net Investment Income.

The income brackets in the above table are adjusted annually for inflation. Robert W. Baird & Co. does not provide tax advice. Any investment strategies should be implemented under the supervision of a qualified tax advisor.

Standard Deduction / Personal Exemptions

| | 2016 | 2015 | 2014 | |
|---|--------------------------------|-----------|-----------|-----------|
| Single | \$6,300 | \$6,300 | \$6,200 | |
| Married, filing jointly | \$12,600 | \$12,600 | \$12,400 | |
| Married, filing separately | \$6,300 | \$6,300 | \$6,200 | |
| Head of Household | \$9,300 | \$9,250 | \$9,100 | |
| Additional deduction for aged or blind – married | \$1,250 | \$1,250 | \$1,200 | |
| Additional deduction for aged or blind – single | \$1,550 | \$1,550 | \$1,550 | |
| Personal exemption | \$4,050 | \$4,000 | \$3,950 | |
| AGI where itemized deduction/personal exemption phase-outs begin | Single | \$259,400 | \$258,250 | \$254,200 |
| | Married Filing Joint | \$311,300 | \$309,900 | \$305,050 |
| | Married Filing Separate | \$155,650 | \$154,950 | \$152,525 |
| | Head of Household | \$285,350 | \$284,050 | \$279,650 |

- The standard deduction for dependents is the greater of (i) \$1,050 or (ii) the sum of \$350 and the individual's earned income.

Kiddie Tax

| | 2016 | 2015 | 2014 |
|---|---------|---------|---------|
| Unearned income exempt from tax | \$1,050 | \$1,050 | \$1,000 |
| Unearned income taxed at child's rate | \$1,050 | \$1,050 | \$1,000 |
| Point at which income is taxed to parent | \$2,100 | \$2,100 | \$2,000 |

Alternative Minimum Tax

| | 2016 Taxable Income | Pay | Plus % on excess | Of the amount over: |
|--|---------------------|----------|------------------|---------------------|
| Single, Head of Household, Married Filing Joint | \$0 - \$186,300 | \$0 | 26% | \$0 |
| | \$186,300 and above | \$48,204 | 28% | \$185,400 |
| Married Filing Separate | \$0 - \$93,150 | \$0 | 26% | \$0 |
| | \$93,150 and above | \$24,102 | 28% | \$92,700 |

- For AMT purposes, long-term capital gains and qualified dividends are taxed at either 15% or 20%, using the same income thresholds as for regular tax.

| | 2016 | 2015 | 2014 | |
|-----------------------------------|--------------------------------|----------|----------|----------|
| Personal Exemption for AMT | Single | \$53,900 | \$53,600 | \$52,800 |
| | Married Filing Joint | \$83,800 | \$83,400 | \$82,100 |
| | Married Filing Separate | \$41,900 | \$41,700 | \$41,050 |
| | Head of Household | \$53,900 | \$53,600 | \$52,800 |

- For 2016, the AMT Exemption begins to phase for married couples with Alternative Minimum Taxable Income above \$159,700, above \$79,850 for couples filing separately, and above \$119,700 for unmarried taxpayers.



2016 Tax Facts, *continued.*

Retirement Plan Contribution Limits

| | 2016 | 2015 | 2014 |
|--|------------------------|-------------------------|-------------------------|
| IRA and Roth IRA regular contributions | \$5,500 | \$5,500 | \$5,500 |
| IRA and Roth IRA catch-up contributions | \$1,000 | \$1,000 | \$1,000 |
| AGI phaseout range for IRA deduction - single | \$61,000- \$71,000 | \$61,000 - \$71,000 | \$60,000 - \$70,000 |
| AGI phaseout range for IRA deduction - married | \$98,000- \$118,000 | \$98,000 - \$118,000 | \$96,000 - \$116,000 |
| 401(k), 403(b) regular contributions | \$18,000 | \$18,000 | \$17,500 |
| 401(k), 403(b) catch-up contributions | \$6,000 | \$6,000 | \$5,500 |
| Profit Sharing or MPP | \$53,000 | \$53,000 | \$52,000 |
| Individual 401(k) (Salary Deferral + Profit Sharing) | \$53,000 | \$53,000 | \$52,000 |
| Individual 401(k) (Salary Deferral + Profit Sharing) Including Age 50+ Catch-up | \$59,000 | \$59,000 | \$57,500 |
| SIMPLE IRA regular contributions | \$12,500 | \$12,500 | \$12,000 |
| SIMPLE IRA catch-up contributions | \$3,000 | \$3,000 | \$2,500 |
| SEP plan contributions | \$53,000 | \$53,000 | \$52,000 |
| Total Defined Contribution plan contributions | \$53,000 | \$53,000 | \$52,000 |

- Catch-up contributions to IRAs and Roth IRAs are available to taxpayers age 50 and older by 12/31/16.
- For those not covered by an employer retirement plan but whose spouse is covered, the IRA deduction is phased out for MAGI between \$184,000 and \$194,000 for 2016 (\$183,000 and \$193,000 for 2015).
- Roth IRA contributions in 2016 begin to be phased-out for couples with MAGI of \$184,000 (\$117,000 for single taxpayers), and is fully phased out for couples with MAGI of \$194,000 (\$132,000 for single taxpayers).

Social Security Taxes and Benefits

| | 2016 | 2015 | 2014 |
|--|------------|------------|------------|
| Maximum wages subject to FICA tax | \$118,500 | \$118,500 | \$117,000 |
| Maximum earned income before reduction in SS benefits (up to full retirement age) | \$15,720 | \$15,720 | \$15,480 |
| Maximum SS benefit, retiring at full retirement age | \$2,639/mo | \$2,663/mo | \$2,642/mo |

- Earned income above threshold, for taxpayers younger than full retirement age, results in reduced Social Security benefits. Benefit amount is reduced by \$1 for every \$2 over the threshold.

| Taxability of Benefits | Single, Head of Household, Married Filing Separate | Married Filing Joint | Taxable Portion of Benefits |
|------------------------|--|----------------------|-----------------------------|
| Income Level | \$0 - \$25,000 | \$0 - \$32,000 | 0% |
| | \$25,000 - \$34,000 | \$32,000 - \$44,000 | 50% |
| | Over \$34,000 | Over \$44,000 | 85% |

- Income for purposes of this test includes:
 - All income included on lines 7 through 19, plus line 21, of Form 1040
 - Any tax-exempt interest included on line 8b of Form 1040
 - Half the Social Security benefit itself



2016 Tax Facts, *continued.*

Health Savings Accounts

| | 2016 | 2015 | 2014 |
|---|---------|---------|---------|
| Contribution Limit – Single Coverage | \$3,350 | \$3,350 | \$3,300 |
| Contribution Limit – Family Coverage | \$6,750 | \$6,650 | \$6,550 |
| Catch-up Contribution | \$1,000 | \$1,000 | \$1,000 |
| Minimum Deductible – Single | \$1,300 | \$1,300 | \$1,250 |
| Minimum Deductible – Family | \$2,600 | \$2,600 | \$2,500 |

- Catch-up contributions to HSAs are available to account holders age 55 and older by 12/31/16.
- The Minimum Deductible shown above is the minimum amount allowed for the plan to be considered a High Deductible Plan.
- Out of pocket expenses under the plan can't exceed \$6,550 for singles, \$13,100 for a couple.

Estate Planning – Estate and Gift Tax Exemption and Annual Gift Exclusion

| Decedents dying in: | Exemption Amount | Tax Rate |
|---------------------|---|----------|
| 2007- 2008 | \$2,000,000 | 45% |
| 2009 | \$3,500,000 | 45% |
| 2010 | \$5 million, but estates may elect no estate tax, with capital gain tax on appreciation above \$1.3 million | 35% |
| 2011 | \$5,000,000 | 35% |
| 2012 | \$5,120,000 | 35% |
| 2013 | \$5,250,000 | 40% |
| 2014 | \$5,340,000 | 40% |
| 2015 | \$5,430,000 | 40% |
| 2016 | \$5,450,000 | 40% |

- Individuals may use the full \$5,450,000 million exemption to make lifetime gifts without incurring gift tax (married couples up to \$10,900,000). The 40% gift tax rate will apply to gifts above the exemption amount.

| | 2016 | 2015 | 2014 |
|----------------------------------|----------|----------|----------|
| Annual Gift Tax exclusion | \$14,000 | \$14,000 | \$14,000 |

- The annual exclusion is indexed annually for inflation, but increases are only made in \$1,000 increments.