

Items of Note for 2016 Tax Returns

The 2017 tax filing season officially starts on Monday, January 23, 2017 when the IRS will begin accepting all returns (electronically and paper filed). The individual tax filing deadline is **Tuesday, April 18, 2017**.

Although we may see tax reform in 2017, there were very few pertinent tax law changes for individuals for 2016.

Following is some information regarding current tax rates and rules that you may find helpful:

2016 Rates -

- **Income tax rates** - The highest tax rate remains 39.6%
- **Medicare Tax** - a 0.9% Additional Medicare Tax applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are over the below thresholds
- **Net Investment Income Tax** - you may be subject to Net Investment Income Tax (NIIT). The NIIT is 3.8% of the smaller of (a) your net investment income or (b) the excess of your modified adjusted gross income over the below thresholds.
 - \$125,000 if married filing separately,
 - \$250,000 if married filing jointly or qualifying widow(er), or
 - \$200,000 for any other filing status
- **Tax rate on net capital gain and qualified dividends.** The maximum tax rate is 20% on net capital gain and qualified dividends for high income taxpayers.

Medical and dental expenses - You can deduct only the part of your medical and dental expenses that is more than 10% of your adjusted gross income (7.5% if either you or your spouse is age 65 or older until December 31, 2016).

Limit on itemized deductions and Personal exemptions- You may not be able to deduct all of your itemized deductions, and your personal exemptions (\$4,050 each) will begin to phase-out if your adjusted gross income is more than:

- \$155,650 if married filing separately,
- \$259,400 if single,
- \$285,350 if head of household, or
- \$311,300 if any other filing status

Same-sex marriages - If you have a same-sex spouse whom you legally married in a state (or foreign country) that recognizes same-sex marriage, you and your spouse generally must use the married filing jointly or married filing separately filing status, even if you and your spouse live in a state (or foreign country) that does not recognize same-sex marriage.

Health flexible spending arrangements (FSAs) - You cannot have more than \$2,550 in salary reduction contributions made to a health FSA for plan years beginning after 2014 and can roll over up to \$500 of unused funds at the end of the plan year.

Home office deduction simplified method - If you can take a home office deduction, you may be able to use a simplified method to figure it.

Standard mileage rates -The 2016 rate for business use of your car is 54 cents a mile. The 2016 rate for use of your car to get medical care is 19 cents a mile, the 2016 rate for use of your car for service of charitable organizations is 14 cents a mile.