Tax and Retirement Plan Guide - 2015

Notable for 2015:

-Maximum annual employee contribution limit for 401(k), 403(b) and most 457 plans is increased to $18,000, and the catch-up contribution for workers age 50 or older (as of Dec. 31, 2015) is increased to $6,000.

-IRA contribution limits for 2015 remain at $5,500, with a $1,000 catch-up contribution allowed for workers age 50 or older.

-Only one 60-day rollover is allowed from an IRA in a 12-month period. Individuals can still do as many trustee-to-trustee transfers as they wish, but the practice of taking possession of cash from a retirement plan, then re-depositing that cash into another IRA has been limited.

-The Affordable Care Act penalty increases to 2% of total household income or $325 per person, whichever is greater.

-The standard deduction, marginal income tax brackets, AMT limits and exemptions, income limits for IRA contributions, gift/estate tax lifetime exemptions, and many other inflation-indexed provisions of the tax code have been increased. See below for details.

Taxes on Earned Income

Federal Income Tax Brackets

Tax rate	Single filers	Married filing jointly or qualifying widow/widower	Married filing separately	Head of household	Trusts and Estates
10%	Up to $9,225	Up to $18,450	Up to $9,225	Up to $13,150	N/A
15%	$9,226 to $37,450	$18,451 to $74,900	$9,226 to $37,450	$13,151 to $50,200	Up to $2,500
25%	$37,451 to $90,750	$74,901 to $151,200	$37,451 to $75,600	$50,201 to $129,600	$2,501 to $5,900
28%	$90,751 to $189,300	$151,201 to $230,450	$75,601 to $115,225	$129,601 to $209,850	$5,901 to $9,050
33%	$189,301 to $411,500	$230,451 to $411,500	$115,226 to $205,750	$209,851 to $411,500	$9,051 to $12,300
35%	$411,501 to $413,200	$411,501 to $464,850	$205,751 to $232,425	$411,501 to $439,000	N/A
39.6%	$413,201 or more	$464,851 or more	$232,426 or more	$439,001 or more	$12,301 or more

Alternative Minimum Tax (AMT) – is a parallel tax system whereby all individual taxpayers pay the higher of their standard tax liability or their AMT liability. AMT is calculated on IRS Form 6251. The AMT does not allow the standard deduction, personal exemptions, or certain itemized deductions. Some income which is not subject to the regular tax is added for AMT purposes.

AMT tax brackets: -For income up to $182,500……………………...........……26% ($91,250 for married filing separately)
-For income equal to and above $182,500…………28%

Exemption amounts: -$53,600 for single and head of household filers
-$83,400 for married couples filing jointly and for qualifying widows or widowers
-$41,700 for married individuals filing separately

FICA Tax (a.k.a. payroll taxes) -
-Employers and employees each generally contribute 6.2% of each employee's pay toward "OASDI" - Old Age, Survivor and Disability Insurance (a.k.a. Social Security) for a total of 12.4%, assessed on a maximum of $118,500 of earnings per employee. (Self-employed individuals pay the full 12.4%.) This limit is called the Social Security "wage base" and is indexed for inflation.
-Employers and employees each contribute 1.45% of each employee's pay toward Medicare for a total of 2.9% of earnings per employee. The tax is assessed on all earnings, not just up to the $118,500 limit.
-In total, employees pay 7.65% and self-employed individuals pay 15.3% on their first $118,500 of earnings.

Medicare Surtax – There is an additional 0.9% tax on wages and self-employment income above the thresholds listed below:

Filing Status	Threshold Amount
Married filing jointly or qualifying widow(er)	$250,000
Married filing separately	$125,000
Single or head of household	$200,000

Taxation of Social Security Benefits - Up to 50% of a taxpayer's Social Security benefits are subject to income tax if the taxpayer's modified AGI is between $25,000 and $33,999 (single) or $32,000 and $43,999 (married filing jointly). Up to 85% of the taxpayer's benefits are taxed if the higher set of thresholds is exceeded.

Kiddie Tax (tax rates for children) -

$0 - $1,000 of earned or unearned income........................0%
Earned income > $1,050...Child's tax rate
Unearned income > $1,050 but ≤ $2,000...........................Child's tax rate
Unearned income > $2,000...Parent's highest marginal tax rate

Kiddie tax rates apply to a child's unearned income in any year the child has not attained age 19 before the end of the year, and for those who are full-time students and have not attained age 24 before the end of the year unless the child's earned income represents more than half of his support needs.

Deductions and Credits

Standard Deductions - $12,600 (married filing jointly, add $1,200 if age 65+), $6,300 (single, add $1,550 if 65+), $9,250 (head of household)

Personal Exemptions **-** The personal exemption amount is $4,000 in 2015, up from $3,950 in 2014. Phase-outs for personal exemption amounts (sometimes called "PEP") begin with adjusted gross incomes (AGI) of $258,250 for individuals and $309,900 for married couples filing jointly; the personal exemptions phase out completely at $380,750 for individual taxpayers ($432,400 for married couples filing jointly).

Child Tax Credit - $1,000 per child, reduced by $50 for each $1,000 of modified AGI over $110,000 (married filing jointly) or $75,000 (single).

Phaseout of Itemized Deductions (Pease Limitations) - Taxpayers with incomes exceeding $258,250 (individual) and $309,900 (married couples filing jointly) will incur a reduction in allowable itemized deductions on their tax returns. The reduction is equal to 3% of every dollar of adjusted gross income above the aforementioned amounts, up to a maximum of 80% of the taxpayer's itemized deductions (not including deductions for medical expenses, investment interest, casualty/theft losses and gambling losses). The net effect of the reduction is, in essence, to increase the top three tax brackets' marginal rates by 1% - 1.2%.

Medical and Dental Expense Deductions - Deductible to the extent they exceed 10% of the taxpayer's AGI (increased from 7.5% of AGI starting in 2013). Taxpayers must itemize their deductions in order to take these deductions. Out-of-pocket health insurance premiums count, as do qualified long-term care premiums (see below).

Qualified Long-term Care Premiums - Count as a medical and dental expense (see above). The maximum premiums allowed for deduction are:

Age 40 or less	>40 - 50	>50 - 60	>60 - 70	Over 70
$380	$710	$1,430	$3,800	$4,750

Taxes on Investments

Taxes on interest and ordinary dividends - Most forms of interest earned on bank accounts, CDs, fixed annuities, and bonds - along with dividends on bond mutual funds - are taxed at ordinary income rates to the taxpayer.

"Qualified" dividends - Since 2003, certain dividends paid to owners of common stock - whether owned directly or through a mutual fund or exchange-traded fund (ETF) - are taxed at lower capital gains tax rates (see below). For a dividend to be considered "qualified", the investor must have held the stock for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date. In other words, dividends received on stocks and stock mutual funds owned for longer that a few months are considered qualified.

Capital Gains Tax - The tax rate a taxpayer pays on profits of sales of assets such as stocks, bonds and mutual funds depends on a) how long the asset has been held -and- b) the taxpayer's marginal tax bracket.

Marginal Income Tax Bracket	Short-term Rate (1 year or less)	Long-term Rate (> 1 year)
10% or 15%	Taxed as ordinary income	0%
25%, 28%, 33%, 35%	Taxed as ordinary income	15%
39.6%	Taxed as ordinary income	20%

-Up to $3,000 of capital losses can be used to offset ordinary income tax in any given year. Capital losses in excess of $3,000 can be carried forward indefinitely to offset future capital gains and/or ordinary income.
-Individuals receive exemptions of $250,000 of capital gains (single) / $500,000 of capital gains (married filing jointly) when selling a primary residence.
-Long-term capital gains on sales of coins, antiques and collectibles are taxed at a 28% rate for all taxpayers.

Net Investment Income Tax (NIIT) – There is a 3.8% tax on net investment income for individuals whose adjusted gross income (AGI) exceeds the following:

Filing Status	Threshold Amount
Married filing jointly or qualifying widow(er)	$250,000
Married filing separately	$125,000
Single or head of household	$200,000

The tax applies to the lesser of a) the amount by which the taxpayer's modified AGI exceeds the threshold listed above and b) the taxpayer's net investment income. Estates and trusts are subject to the NIIT if they have undistributed net investment income and also have adjusted gross income over the dollar amount at which the highest tax bracket for an estate or trust begins.

Gift and Estate Tax

Gift and Estate Tax - Individuals who give gifts to other individuals during their lifetime may owe gift tax, and individuals who pass on assets to other individuals at death may owe estate tax. Taxes due depend on the size, nature and recipient of the gift or estate.

-For 2015, an individual may give gifts totaling up to $14,000 in value to any other individual without filing a gift tax return (no change from 2014). (The annual exclusion amount does not apply to paying for educational costs and medical bills for another person, gifts to a spouse, or gifts to a political organization, all of which are unlimited. Also, donations to charities are not considered gifts.) Individuals who exceed this limit must file a gift tax return.

-Every individual has a lifetime exemption that must be exceeded before any gift tax will actually be owed. The current exemption is $5,430,000 per individual (up $90,000 from 2014). (This amount will increase in the future since it is adjusted for inflation.)

-At death, every individual may pass on $5,430,000 at their death free from federal estate tax (up $90,000 from 2014). This amount is reduced by the dollar amount of any taxable gifts made during the individual's lifetime.

-An unlimited amount may be passed on to an individual's spouse, and any amount passed on to a spouse does not count against this excluded amount. Beginning in 2011, a deceased spouse's estate can pass on its unused exemption amount to a surviving spouse. Some states impose their own estate and/or inheritance taxes.

2014 Federal Gift and Estate Tax Rates

If gift / gross estate is over	but not over	the tax is	of the amount over
$ 0	$ 10,000	$ 0 + 18%	$ 0
10,000	20,000	1,800 + 20%	10,000
20,000	40,000	3,800 + 22%	20,000
40,000	60,000	8,200 + 24%	40,000
60,000	80,000	13,000 + 26%	60,000
80,000	100,000	18,200 + 28%	80,000
100,000	150,000	23,800 + 30%	100,000
150,000	250,000	38,800 + 32%	150,000
250,000	500,000	70,800 + 34%	250,000
500,000	750,000	155,800 + 37%	500,000
750,000	1,000,000	248,300 + 39%	750,000
1,000,000	---	345,800 + 40%	1,000,000

Retirement Plan Contribution Limits and Deductibility

Annual Contribution Limits:

IRAs..$5,500 ($6,500 if participant is $\geq$ 50)
401(k), 403(b), 457 plans..$18,000 ($24,000 if participant is $\geq$ 50)
SIMPLE Plans..$12,500 ($15,500 if participant is $\geq$ 50),
(reduced by any contributions made to 401(k) plan or similar)
Annual limit on additions to all defined contribution plans... $53,000
Maximum annual compensation taken into account for contributions $260,000

-Annual additions to an employee's account, defined as the sum of employer contributions and employee contributions, are limited to the lesser of 100% of the employee's compensation or the annual limit stated above. This limit must be coordinated with a rule applicable to profit-sharing, SEPs and stock bonus plans that limits total contributions to 25% of compensation.

IRAs - Traditional vs. Roth

-Both Traditional and Roth IRAs are subject to maximum annual contributions of $5,500 or a taxpayer's earned income, whichever is less. Contributions can also be made on behalf of non-working spouses. This limit increases to $6,500 per year for taxpayers 50 years old or older.

-Anyone with earned income is eligible to contribute to a Traditional IRA, and the tax deductibility of the contribution depends on the taxpayer's income and whether the taxpayer and the taxpayer's spouse, if applicable, is covered by a employer's retirement plan (see below).

-Account earnings are allowed to grow tax-deferred, and earnings are taxed as ordinary income when withdrawn and to the extent they exceed the account owner's cost basis. Withdrawals prior to age 59 1/2 are subject to a 10% penalty.

-Roth IRA eligibility is determined by the taxpayer's AGI (see below). Contributions are never tax-deductible. Earnings may be withdrawn tax-free after the account owner reaches age 59 1/2 and has held the account for at least 5 years.

Traditional IRA Eligibility and Deductibility

Filing status	Covered by Employer's Retirement Plan?	Modified AGI	Contribution Deductible?
Single	No	Any amount	Yes
	Yes	Up to $61,000	Yes
	Yes	>$61K to < $71K	Partial
	Yes	$71,000 or more	No
Married (filing jointly)	No, neither spouse	Any amount	Yes
	Yes, both spouses -or- Yes, but spouse is not	$98,000 or less	Yes
		>$98K to <$118K	Partial
		$118,000 or more	No
	No, but spouse is covered	$183,000 or less	Yes
		> $183K to <$193K	Partial
		$193,000 or more	No

Roth IRA Eligibility and Deductibility

Filing Status	Modified AGI	Eligible to Contribute?
Single	Up to $116,000	Yes
	>$116K to < $131K	Partial
	$131,000 or more	No
Married (filing jointly)	$183,000 or less	Yes
	>$183K to <$193K	Partial
	$193,000 or more	No

-Roth IRA contributions are never tax-deductible.

Roth IRA Conversions - Taxpayers may "convert" an existing Traditional IRA into a Roth IRA by paying income tax on amounts in excess of the account's cost basis. For Traditional IRAs funded solely by deductible contributions, the cost basis is zero and the entire account value will count as taxable income at conversion. After the conversion, the account will be treated as a Roth IRA, and no future taxes will be due on the earnings inside of the account. As of 2010, there is no income limit for eligibility on Roth conversions.

Required Minimum Distributions (RMDs) from Traditional IRAs and other Qualified Retirement Plans

(including SEP IRAs, SIMPLE IRAs, 401(k) plans, 403(b) plans, 457(b) plans, profit sharing plans, and other defined contribution plans)

-First RMD - the account owner has until April 1st of the year following the year he turns 70 1/2 years old to take his first RMD.
Ex. - Account owner has a birthday on June 30 and turns 70 years old in 2015. He will turn 70 1/2 on December 30 of that year. He must take his first RMD by April 1, 2015.

-Subsequent year RMDs - the account owner has until Dec. 31 of that year to take the RMD. Choose the age that the account owner will be as of his/her birthday in the current calendar year, then divide the previous year's end-of-year account balance by the corresponding divisor found in the table on the next page.

Table III (Uniform Lifetime)			
(For Use by: -Unmarried Owners, -Married Owners Whose Spouses Are Not More Than 10 Years Younger -Married Owners Whose Spouses Are Not the Sole Beneficiaries of Their IRAs)			
Age	**Distribution Period / Divisor**	**Age**	**Distribution Period / Divisor**
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115+	1.9

*Owners whose spouse is more than 10 years younger and whose spouse is their sole beneficiary should use Table II - Joint Life and Last Survivor - found in IRS Publication 590. Distributions calculated with Table II will generally result in smaller required minimum distributions.

Additional Information Related to RMDs

-Multiple IRAs - account owners must calculate RMDs for each IRA they own; however, they are allowed to withdraw their total RMD amount from any combination of withdrawals from these multiple IRAs.

-A 50% tax on any undistributed RMD amount (amount that should have been withdrawn but was not) applies if an account owner fails to take a RMD.

-Account owners can withdraw more than their RMD amount in any given year, but withdrawals in excess of the RMD amount are not carried forward to reduce future year RMDs.

-Roth IRAs currently do not have required minimum distributions

Inheriting an IRA

A surviving spouse who inherits an IRA and is the sole beneficiary can:
1) roll the account over to an account in his/her name and treat the account as their own going forward
2) base required minimum distributions (RMDs) on their own age or on the decedent's age at death (using Table I)
3) withdraw the entire account balance by the end of the 5th year following the account owner's death if the account owner died before the required beginning date
4) wait until the owner would have turned 70½ to begin receiving RMDs if the account owner died before the required beginning date

Individual beneficiaries other than a spouse:
-Non-spouse beneficiaries must generally begin taking required minimum distributions (RMDs) after inheriting an IRA.
-For the year the account owner dies, taxpayers should take the RMD that the account owner would have received if he/she was alive.
-For subsequent years, beneficiaries can:

1) withdraw the entire account balance by the end of the 5th year following the account owner's death, if the account owner died before the required beginning date
2) calculate RMDs using the distribution period from Table I.

-If the owner died after RMDs began, the beneficiary may use the longer of the:
beneficiary's remaining life expectancy determined in the year following the year of the owner's death (see Table III above)
-or-
the owner's remaining life expectancy at death (see Table I on next page) both reduced by one for each subsequent year.

-If the account owner died before RMDs began, the beneficiary must take RMDs based on his /her age at year-end following the year of the owner's death, reducing the distribution period by one for each subsequent year. (see Table I below)

-The above rules also apply to beneficiaries who inherit a Roth IRA.

Table I - For Use by Beneficiaries			
(Single Life Expectancy)			
Age	Life Expectancy / Divisor	Age	Life Expectancy / Divisor
0	82.4	28	55.3
1	81.6	29	54.3
2	80.6	30	53.3
3	79.7	31	52.4
4	78.7	32	51.4
5	77.7	33	50.4
6	76.7	34	49.4
7	75.8	35	48.5
8	74.8	36	47.5
9	73.8	37	46.5
10	72.8	38	45.6
11	71.8	39	44.6
12	70.8	40	43.6
13	69.9	41	42.7
14	68.9	42	41.7
15	67.9	43	40.7
16	66.9	44	39.8
17	66.0	45	38.8
18	65.0	46	37.9
19	64.0	47	37.0
20	63.0	48	36.0
21	62.1	49	35.1
22	61.1	50	34.2
23	60.1	51	33.3
24	59.1	52	32.3
25	58.2	53	31.4
26	57.2	54	30.5
27	56.2	55	29.6

Table I - For Use by Beneficiaries			
(Single Life Expectancy)			
Age	Life Expectancy / Divisor	Age	Life Expectancy / Divisor
56	28.7	84	8.1
57	27.9	85	7.6
58	27.0	86	7.1
59	26.1	87	6.7
60	25.2	88	6.3
61	24.4	89	5.9
62	23.5	90	5.5
63	22.7	91	5.2
64	21.8	92	4.9
65	21.0	93	4.6
66	20.2	94	4.3
67	19.4	95	4.1
68	18.6	96	3.8
69	17.8	97	3.6
70	17.0	98	3.4
71	16.3	99	3.1
72	15.5	100	2.9
73	14.8	101	2.7
74	14.1	102	2.5
75	13.4	103	2.3
76	12.7	104	2.1
77	12.1	105	1.9
78	11.4	106	1.7
79	10.8	107	1.5
80	10.2	108	1.4
81	9.7	109	1.2
82	9.1	110	1.1
83	8.6	111+	1.0

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