

High-Income Taxpayers



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High-Income Taxpayers

In addition to being subject to higher federal tax rates, taxpayers whose income exceeds certain levels have tax deductions and credits that are reduced or eliminated.

The provisions listed may have additional qualifications and restrictions. Other provisions of the tax code, such as fringe benefit limitations and taxation on the sale of a principal residence, may further restrict a taxpayer's ability to take deductions or cause the taxpayer to pay additional tax. Ask your tax professional for more details.

Capital Gain Tax Rates

Long-Term Capital Gain Maximum Tax Rates

| | | |
|---|--|-----------------------|
| <i>For taxpayers with ordinary tax rate of:</i> | | <i>2013 and After</i> |
| Top rate..... | | 20% |
| 25% to rate below top rate..... | | 15% |
| 10% or 15%..... | | 0% |

Qualified Dividend Income Tax Rates

| | | |
|---|--|-----------------------|
| <i>For taxpayers with ordinary tax rate of:</i> | | <i>2013 and After</i> |
| Top rate..... | | 20% |
| 25% to rate below top rate..... | | 15% |
| 10% or 15%..... | | 0% |

2017 Itemized Deduction Phaseout

| | |
|---|-----------|
| Itemized deductions begin to phase out when modified AGI reaches: | |
| MFJ, QW..... | \$313,800 |
| HOH..... | \$287,650 |
| Single..... | \$261,500 |
| MFS..... | \$156,900 |

2017 Personal Exemptions

The personal exemption per person is \$4,050

Personal exemptions phase out with the following AGI amounts:

| | <i>AGI Beginning of Phaseout</i> | <i>AGI Completed Phaseout</i> |
|-----------------|----------------------------------|-------------------------------|
| MFJ and QW..... | \$313,800 | \$436,300 |
| HOH..... | \$287,650 | \$410,150 |
| Single..... | \$261,500 | \$384,000 |
| MFS..... | \$156,900 | \$218,150 |

Individual Retirement Arrangements (IRAs)

IRA Individual Contribution Limits

| | <i>2017</i> | <i>2016</i> |
|----------------------|-------------|-------------|
| Under age 50..... | \$5,500 | \$5,500 |
| Age 50 or older..... | \$6,500 | \$6,500 |

Traditional IRA Phaseout Based on Modified AGI (MAGI)

If an individual is an active participant in an employer-sponsored pension plan, the deduction for a traditional IRA contribution is phased out when MAGI is between the following.

| <i>Tax Year</i> | <i>MFJ</i> | <i>Single, HOH</i> | <i>MFS</i> |
|-----------------|-----------------------|----------------------|-----------------|
| 2017..... | \$99,000 to \$119,000 | \$62,000 to \$72,000 | \$0 to \$10,000 |
| 2016..... | \$98,000 to \$118,000 | \$61,000 to \$71,000 | \$0 to \$10,000 |

If the individual is not an active participant, but the spouse is, the non-active participant's deduction is phased out when modified AGI is between the following.

| <i>Tax Year</i> | <i>MFJ</i> | <i>MFS</i> |
|-----------------|------------------------|-----------------|
| 2017..... | \$186,000 to \$196,000 | \$0 to \$10,000 |
| 2016..... | \$184,000 to \$194,000 | \$0 to \$10,000 |



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Roth IRA Phaseouts

| | 2017 | 2016 |
|----------------------------|-----------------------------|------------------------|
| MFJ or QW | \$186,000 to \$196,000..... | \$184,000 to \$194,000 |
| Single, HOH, or MFS* | \$118,000 to \$133,000..... | \$117,000 to \$132,000 |
| MFS..... | \$0 to \$10,000..... | \$0 to \$10,000 |

* MFS and did not live with spouse during the year.

Retirement Savings Contribution Credit (Saver's Credit)

2017 Retirement Savings Contribution Credit Percentage

| Rate | MFJ | HOH | Single, QW, MFS |
|------|---------------------|---------------------|---------------------|
| 50% | \$0 – \$37,000 | \$0 – \$27,750 | \$0 – \$18,500 |
| 20% | \$37,001 – \$40,000 | \$27,751 – \$30,000 | \$18,501 – \$20,000 |
| 10% | \$40,001 – \$62,000 | \$30,001 – \$46,500 | \$20,001 – \$31,000 |
| 0% | Over \$62,000 | Over \$46,500 | Over \$31,000 |

* Up to a maximum credit of \$1,000.

Child Tax Credit

AGI phaseout. The credit (up to \$1,000 per qualifying child) is reduced by \$50 for each \$1,000 of modified AGI above:

- \$110,000 Married Filing Jointly.
- \$75,000 Single, Head of Household, or Qualifying Widow(er).
- \$55,000 Married Filing Separately.

Adoption Expenses

| | |
|----------------------------------|-----------------------|
| 2017 maximum credit | \$13,570 |
| 2017 maximum exclusion..... | \$13,570 |
| AGI phaseout | \$203,540 – \$243,540 |
| Unused credit carryforward | 5 years |

Medicare Provisions of the Affordable Care Act

Increased Medicare Tax on Earned Income

The employee portion of the hospital insurance (Medicare) tax is increased by an additional tax of 0.9% on wages received in excess of the threshold amount. However, unlike the general 1.45% hospital insurance (Medicare)

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tax on wages, this additional tax is on the combined wages of the employee and the employee's spouse, in the case of a joint return.

Medicare Tax on Unearned Income

Individuals. The tax is 3.8% of the lesser of net investment income or the excess of modified adjusted gross income over the threshold amount.

Threshold Amount

| | |
|---|-----------|
| Joint return or surviving spouse..... | \$250,000 |
| Married individual filing separately..... | \$125,000 |
| All other tax filers | \$200,000 |

Education Benefits

2017 Education Benefits Comparison Chart

| | Benefit | Annual Limit | Modified AGI Phaseout |
|--|---|---|---|
| <i>American Opportunity/Hope Credit</i> | 40% of the credit may be refundable (limited to \$1,000). | \$2,500 credit per student. | \$80,000 – \$90,000 \$160,000 – \$180,000 (MFJ) |
| <i>Lifetime Learning Credit</i> | Tax credit (non-refundable). | \$2,000 credit per tax return. | \$56,000 – \$66,000 \$112,000 – \$132,000 (MFJ) |
| <i>Tuition and Fees Deduction</i> | Above-the-line tax deduction. | Scheduled to expire after 2016. | |
| <i>Coverdell Education Savings Account (ESA)</i> | Tax-free earnings. | \$2,000 contribution per beneficiary. | \$95,000 – \$110,000 \$190,000 – \$220,000 (MFJ) |
| <i>U.S. Savings Bond Interest Exclusion</i> | Tax-free interest. | Amount of qualified education expenses. | \$78,150 – \$93,150 \$117,250 – \$147,250 (MFJ) |
| <i>Student Loan Interest Deduction</i> | Above-the-line tax deduction. | \$2,500 deduction. | \$65,000 – \$80,000 \$135,000 – \$165,000 (MFJ) |

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.