

Tax brackets for 2016

Married, filing jointly

\$0–\$18,550	10.0%
\$18,551–\$75,300	15.0%
\$75,301–\$151,900	25.0%
\$151,901–\$231,450	28.0%
\$231,451–\$413,350	33.0%
\$413,351–\$466,950	35.0%
Over \$466,950	39.6%

Single

\$0–\$9,275	10.0%
\$9,276–\$37,650	15.0%
\$37,651–\$91,150	25.0%
\$91,151–\$190,150	28.0%
\$190,151–\$413,350	33.0%
\$413,351–\$415,050	35.0%
Over \$415,050	39.6%

Married, filing separately

\$0–\$9,275	10.0%
\$9,276–\$37,650	15.0%
\$37,651–\$75,950	25.0%
\$75,951–\$115,725	28.0%
\$115,726–\$206,675	33.0%
\$206,676–\$233,475	35.0%
Over \$233,475	39.6%

Head of household

\$0–\$13,250	10.0%
\$13,251–\$50,400	15.0%
\$50,401–\$130,150	25.0%
\$130,151–\$210,800	28.0%
\$210,801–\$413,350	33.0%
\$413,351–\$441,000	35.0%
Over \$441,000	39.6%

Estates and trusts

\$0–\$2,550	15.0%
\$2,551–\$5,950	25.0%
\$5,951–\$9,050	28.0%
\$9,051–\$12,400	33.0%
Over \$12,400	39.6%

Long-term capital gains/ qualified dividend rates

0.0%–15.0% brackets	0.0%
>15.0% but <39.6% brackets	15.0%
Top bracket (39.6%)	20.0%
Capital gains on collectibles	28.0%

Standard deduction

Married, filing jointly	\$12,600
Single	\$6,300
Married, filing separately	\$6,300
Head of household	\$9,300
Blind or over 65: \$1,250 if married; \$1,550 if single or head of household.	

Capital loss limit

Married, filing jointly	\$3,000
Single	\$3,000
Married, filing separately	\$1,500
If your capital loss exceeds your capital gains.	

Estate tax

Transfer tax rate (maximum)	40%
Estate tax exemption	\$5,450,000
Gift tax exemption	\$5,450,000
Generation-skipping transfer exemption	\$5,450,000

Education

Kiddie tax exemption	\$2,100
529 plan contributions, per individual before a gift tax	\$14,000 per yr.
529 plan contributions, per couple before a gift tax	\$28,000 per yr.
Accelerate 5 years of gifting into 1 year per individual	\$70,000
Per couple	\$140,000

Lifetime learning credits

Maximum credit	\$2,000
Phaseout—single	\$55,000–\$65,000 MAGI ¹
Phaseout—joint	\$111,000–\$131,000 MAGI ¹

Coverdell Education Savings Account

Contribution	\$2,000
Phaseout—single	\$95,000–\$110,000 MAGI ¹
Phaseout—joint	\$190,000–\$220,000 MAGI ¹

Student loan interest

Deduction limit	\$2,500
Phaseout—single	\$65,000–\$80,000 MAGI ¹
Phaseout—joint	\$130,000–\$160,000 MAGI ¹

Phaseout of tax-free savings bonds interest

Single	\$77,550–\$92,550 MAGI ¹
Joint	\$116,300–\$146,300 MAGI ¹

American Opportunity Education Tax Credit

Maximum credit	\$2,500
Phaseout—single	\$80,000–\$90,000 MAGI ¹
Phaseout—joint	\$160,000–\$180,000 MAGI ¹

Retirement

IRA and Roth IRA contributions

Under age 50	\$5,500
Aged 50 and over	\$6,500

Phaseout for deducting IRA contributions

(for qualified plan participants)

Married, filing jointly	\$98,000–\$118,000 MAGI ¹
Single or head of household	\$61,000–\$71,000 MAGI ¹
Married, filing jointly ²	\$184,000–\$194,000 MAGI ¹

Phaseout of Roth contribution eligibility

Joint	\$184,000–\$194,000 MAGI ¹
Single	\$117,000–\$132,000 MAGI ¹
Filing separately	\$0–\$10,000 MAGI ¹

SEP contribution

Up to 25% of compensation	Limit \$53,000
To participate in SEP	\$600

SIMPLE elective deferral

Under age 50	\$12,500
Aged 50 and over	\$15,500

Qualified plan contributions

401(k), 403(b), 457, and SARSEP	\$18,000
Aged 50 and over	\$24,000
Limit on additions to defined contribution plan	\$53,000
Annual benefit limit on defined benefit plan	\$210,000
Highly compensated employee makes	\$120,000
Annual compensation taken into account for qualified plans	\$265,000

¹ Modified adjusted gross income.

² Phaseout limit for spouse who is not a participant in a qualified plan.

The Internal Revenue Service has made annual inflation adjustments affecting many tax provisions, including rate schedules, that affect income earned in 2016 and tax returns filed in early 2017. In most instances, the adjustments are small—for example, tax brackets are roughly 0.4% higher—because inflation has remained relatively modest. The front page of this flier provides specifics on many of these changes, and some of the key ones are also highlighted below. For further details, please visit irs.gov, or go to the John Hancock Investments Tax Center at jhinvestments.com/taxcenter.

Noteworthy updates to tax provisions for the 2016 tax year³

Higher tax bracket thresholds

The top marginal tax rate of 39.6% affects singles with income exceeding \$415,050 (\$466,950 for married taxpayers filing a joint return), up from \$413,200 and \$464,850, respectively, in 2015. Income tax thresholds have also been adjusted for the other marginal rates in the 10%, 15%, 25%, 28%, 33%, and 35% brackets.

Increase in head of household standard deduction

The standard deduction for heads of household rises to \$9,300, up from \$9,250. The standard deduction remains unchanged at \$6,300 for singles and married persons filing separate returns, and \$12,600 for married couples filing jointly.

Increases in personal exemptions

The personal exemption rises to \$4,050, up from the 2015 exemption of \$4,000. However, the exemption is subject to a phaseout that begins

with individual adjusted gross incomes of \$259,400 (\$311,300 for married couples filing jointly). It phases out completely at \$381,900 (\$433,800 for married couples filing jointly.)

Estate tax exemption rises

Estates of decedents who die during 2016 have a basic exemption amount of \$5,450,000, up from a total of \$5,430,000 for estates of decedents who died in 2015.

Temporary tax breaks extended or made permanent

In December 2015, Congress approved a spending bill that extends or makes permanent dozens of tax breaks that otherwise could have lapsed. Some of the tax breaks relate to education and investing, including the American Opportunity Tax Credit, rollovers from employer-sponsored retirement plans into SIMPLE IRAs, and tax-free distributions from IRAs for charitable purposes.

Required minimum distributions

The Uniform Lifetime Table can be used by all IRA owners, at age 70 years, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the regular Joint Life Expectancy Table is used (see IRS Pub. 590), which could reduce the required minimum distribution even further.

Uniform Lifetime Table

Age of account owner	Divisor	Age of account owner	Divisor
70	27.4	81	17.9
71	26.5	82	17.1
72	25.6	83	16.3
73	24.7	84	15.5
74	23.8	85	14.8
75	22.9	86	14.1
76	22.0	87	13.4
77	21.2	88	12.7
78	20.3	89	12.0
79	19.5	90	11.4
80	18.7		

³ Internal Revenue Service, 2015.

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