



# Jim Lange's 2016-2017 Tax Planning Card

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## HOW to COMPUTE YOUR FEDERAL INCOME TAX

**Example:** For a married couple in 2016 with taxable income of \$85,000, refer to the *MARRIED FILING JOINTLY* section of the 2016 chart listed below. See \$75,301 - 151,900 and calculate as follows:

$$\$85,000 \times 25\% = \$21,250 - \$8,457 = \$12,793$$

## CALCULATION OF TAXABLE INCOME

To determine taxable income, please follow these steps:

1. List your total income. (*U.S. Form 1040, Line 22*)
2. Subtract adjustments to income, which include allowable IRA and retirement plan deductions, alimony paid and one-half of self-employment tax. (*Line 36*)
3. You now have your adjusted gross income, AGI. (*Line 37*)
4. Subtract the larger of the standard deduction or your itemized deductions. (*Line 40*)
5. Subtract your deduction for personal exemptions. (*Line 42*)
6. Arrive at taxable income. (*Line 43*)
7. Insert taxable income into the appropriate table below.
8. Make adjustments for dividends and capital gains.

### 2016 QUICK CALC MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 18,550	x 10%	- \$ 0	= Tax
18,551 - 75,300	x 15%	- 927	= Tax
75,301 - 151,900	x 25%	- 8,457	= Tax
151,901 - 231,450	x 28%	- 13,014	= Tax
231,451 - 413,350	x 33%	- 24,587	= Tax
413,351 - 466,950	x 35%	- 32,854	= Tax
466,951 and above	x 39.6%	- 54,334	= Tax

#### SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 9,275	x 10%	- \$ 0	= Tax
9,276 - 37,650	x 15%	- 464	= Tax
37,651 - 91,150	x 25%	- 4,229	= Tax
91,151 - 190,150	x 28%	- 6,964	= Tax
190,151 - 413,350	x 33%	- 16,472	= Tax
413,351 - 415,050	x 35%	- 24,739	= Tax
415,051 and above	x 39.6%	- 43,831	= Tax

#### HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 13,250	x 10%	- \$ 0	= Tax
13,251 - 50,400	x 15%	- 663	= Tax
50,401 - 130,150	x 25%	- 5,703	= Tax
130,151 - 210,800	x 28%	- 9,608	= Tax
210,801 - 413,350	x 33%	- 20,148	= Tax
413,351 - 441,000	x 35%	- 28,416	= Tax
441,001 and above	x 39.6%	- 48,702	= Tax

#### MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 9,275	x 10%	- \$ 0	= Tax
9,276 - 37,650	x 15%	- 464	= Tax
37,651 - 75,950	x 25%	- 4,229	= Tax
75,951 - 115,725	x 28%	- 6,508	= Tax
115,726 - 206,675	x 33%	- 12,294	= Tax
206,676 - 233,475	x 35%	- 16,428	= Tax
233,476 and above	x 39.6%	- 27,168	= Tax

### 2017 QUICK CALC MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 18,650	x 10%	- \$ 0	= Tax
18,651 - 75,900	x 15%	- 933	= Tax
75,901 - 153,100	x 25%	- 8,523	= Tax
153,101 - 233,350	x 28%	- 13,116	= Tax
233,351 - 416,700	x 33%	- 24,783	= Tax
416,701 - 470,700	x 35%	- 33,117	= Tax
470,701 and above	x 39.6%	- 54,771	= Tax

#### SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 9,325	x 10%	- \$ 0	= Tax
9,326 - 37,950	x 15%	- 466	= Tax
37,951 - 91,900	x 25%	- 4,261	= Tax
91,901 - 191,650	x 28%	- 7,018	= Tax
191,651 - 416,700	x 33%	- 16,601	= Tax
416,701 - 418,400	x 35%	- 24,935	= Tax
418,401 and above	x 39.6%	- 44,182	= Tax

#### HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 13,350	x 10%	- \$ 0	= Tax
13,351 - 50,800	x 15%	- 668	= Tax
50,801 - 131,200	x 25%	- 5,748	= Tax
131,201 - 212,500	x 28%	- 9,684	= Tax
212,501 - 416,700	x 33%	- 20,309	= Tax
416,701 - 444,550	x 35%	- 28,643	= Tax
444,551 and above	x 39.6%	- 49,093	= Tax

#### MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 9,325	x 10%	- \$ 0	= Tax
9,326 - 37,950	x 15%	- 466	= Tax
37,951 - 76,550	x 25%	- 4,261	= Tax
76,551 - 116,675	x 28%	- 6,558	= Tax
116,676 - 208,350	x 33%	- 12,391	= Tax
208,351 - 235,350	x 35%	- 16,559	= Tax
235,351 and above	x 39.6%	- 27,385	= Tax

**Note:** The 2017 rates and bracket amounts are based on current law that will likely change according to the new president's tax plan.

Net long-term capital gains and qualified dividends will reduce computed Quick Calc tax liability, while the alternative minimum tax and net investment income tax and other factors increase it.

#### Should You Make a Roth IRA Conversion?

Your current and future tax brackets are an integral factor to be considered in the decision to convert a portion or even all of your IRA to a Roth IRA. For more information, please see Jim's book, *The Roth Revolution: Pay Taxes Once and Never Again*.

## PERSONAL EXEMPTIONS

Personal exemptions are the amount you may deduct for yourself, your spouse, and your dependents.

For 2016 and 2017, the personal exemption deduction is \$4,050.

There is a reduction of personal exemptions for high income taxpayers.

## 2016 and 2017 STANDARD DEDUCTIONS

The standard deduction is the amount you may deduct if you do not itemize your deductions.

	2016 Standard Deduction	2016 + Age 65 or Over or Blind (EACH)	2017 Standard Deduction	2017 + Age 65 or Over or Blind (EACH)
Married Filing Jointly or Qualifying Widow(er)	\$ 12,600	\$ 1,250	\$12,700	\$ 1,250
Single	6,300	1,550	6,350	1,550
Head of Household	9,300	1,550	9,300	1,550
Married Filing Separately	6,300	1,250	6,350	1,250

## PENNSYLVANIA INCOME TAXES

### PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2016 and 2017.

### PA Corporate Tax

The Corporate Tax rate is 9.99% for 2016 and 2017. The Capital Stock Tax has been eliminated for 2016.

### Pittsburgh Income Tax

The Pittsburgh individual earned income tax rate remains at 3% for 2016 and 2017 for city residents.

## SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2017	\$ 0 - 127,200	7.65%	\$ 9,731	15.3%	\$19,462
2017	127,201 and above	1.45%	unlimited	2.9%	unlimited

The normal three components of the Social Security Tax are:

1. Social Security Tax	5.60%
2. Disability	.60%
3. Medicare Hospital	1.45%
<b>Paid by Employees &amp; Employers</b>	<b>7.65%*</b>

\* The Self-Employment Tax is twice this amount. Also please note that one-half of the self-employment tax is deductible as an adjustment to income.

Note: An additional Medicare Tax Rate of 0.9% is applied to self-employment income and wages over threshold amounts after December 31, 2012.

## ESTATE and INHERITANCE TAXES

### Pennsylvania Inheritance Tax

Transfers to lineal heirs (such as children, grandchildren, parents and grandparents) are taxed at 4½%. Transfers to siblings are taxed at 12% and all other transfers (except transfers to charity) are taxed at 15%.

Pennsylvania still allows unlimited tax-free transfers to spouses.

### Federal Estate and Gift Tax

The federal government allows unlimited transfers to spouses who are American citizens.

In 2017, the maximum amount that can be transferred from an estate to non-spouses without incurring any federal estate taxes is \$5,490,000 per individual or \$10,980,000 per married couple.

In 2017, the gift tax exclusion per donee is \$14,000/year.

The lifetime gift exemption increases to \$5,450,000 in 2016 and \$5,490,000 in 2017.

## 2016 and 2017 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2016	2016 Age 50 or Over	2017	2017 Age 50 or Over
Roth IRA	\$ 5,500	\$ 6,500	\$ 5,500	\$ 6,500
IRA	5,500	6,500	5,500	6,500
SEP (Self-Employed)	53,000	53,000	54,000	54,000
SEP (Employee)	53,000	53,000	54,000	54,000
403(b)/Roth 403(b) (Employee)	18,000	24,000	18,000	24,000
401(k)/Roth 401(k) (Employee)	18,000	24,000	18,000	24,000
Self-Employed Profit Sharing/401(k)'s*	53,000	59,000	54,000	60,000
Single Person 401(k) Plan*	53,000	59,000	54,000	60,000
SIMPLE	12,500	15,500	12,500	15,500

\*401(k) plan limits include elective deferral contributions.



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