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What is the 2016 tax rates

The Internal Revenue Service (IRS) has announced the annual inflation adjustments for a number of provisions for the year 2016, including tax rate schedules, tax tables and cost-of-living adjustments for certain tax items. These are the applicable numbers for the tax year 2016 - in other words, effective January 1, 2016. They are NOT the numbers and tax rates that you'll use to prepare your 2015 tax returns in 2016 (you'll find them here). These numbers and tax rates are those you'll use to prepare your 2016 tax returns in 2017. If you aren't expecting any significant changes, you can use the updated tax tables to estimate your liability for the 2016 tax year. If, however, you are expecting to make more money, get married, buy a house, have a baby or other life change, you'll want to consider adjusting your withholding or tweaking your estimated tax payments. Tax Brackets. The big news is, of course, the tax brackets and tax rates for 2016: You can see how the rates for 2016 compare to the 2015 brackets here. The standard deduction amounts for 2016 are as follows: For 2016, the additional standard deduction amount for the aged or the blind is \$1,250. The additional standard deduction amount is increased to \$1,550 if the individual is also unmarried and not a surviving spouse. For those taxpayers who itemize their deductions, the Pease limitations, named after former Rep. Don Pease (D-OH) may cap or phase out certain deductions for high income taxpayers. The Pease thresholds for 2016 are: If the Pease limitations apply, the total of all your itemized deductions is reduced by the lesser of: 3% of AGI above the applicable threshold; or 80% of the amount of itemized deductions otherwise allowable for the tax year. Pease limitations apply to charitable donations, the home mortgage interest deduction, state and local tax deductions and miscellaneous itemized deductions. They do not apply to medical expenses, investment expenses, gambling losses and certain theft and casualty losses. (You can read more about the Pease limitations and how they affect affluent taxpayers here.) Keep in mind that the floor for medical expenses remains 10% of adjusted gross income (AGI) for most taxpayers. Taxpayers over the age of 65 may still use the 7.5% through 2016 - but after that, the favored tax rate will disappear and all taxpayers will be subject to the 10% floor. The personal exemption amount for 2016 is \$4,050, up from \$4,000 in 2015. However, the exemption is subject to a phase-out that begins with adjusted gross incomes of \$259,400 (\$311,300 for married couples filing jointly). It phases out completely at \$301,900 (\$433,800 for married couples filing jointly.) Phaseouts apply as follows: In years past, the AMT was subject to a last minute scramble by Congress to "patch" the exemption but as part of the American Taxpayer Relief Act of 2012 (ATRA), the AMT exemption amounts are permanently adjusted for inflation - that's why you now see it in this list. The AMT exemption amounts are as follows: The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. For 2016, the threshold for the kiddie tax - meaning the amount of unearned net income that a child can take home without paying any federal income tax - is \$1,050. All unearned income in excess of \$2,100 is taxed at the parent's tax rate. Some tax credits are also adjusted for 2016. Some of the most common tax credits are: Earned Income Tax Credit (EITC). For 2016, the maximum EITC amount available is \$6,269 for taxpayers filing jointly who have 3 or more qualifying children, up from a total of \$6,242 for tax year 2015. The revenue procedure has a table providing maximum credit amounts for other categories, income thresholds and phase-outs. Child & Dependent Care Credit. For 2016, the value used to determine the amount of credit that may be refundable is \$3,000 (the credit amount has not changed). Keep in mind that this is the value of the expenses used to determine the credit and not the actual amount of the credit. Adoption Credit. For 2016, the credit allowed for an adoption of a child with special needs is \$13,460, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,460. Phaseouts do apply beginning at taxpayers with modified adjusted gross income (MAGI) in excess of \$201,920 and completely phased out for taxpayers with MAGI of \$241,920 or more. Hope Scholarship Credit. The Hope Scholarship Credit for 2016 will remain an amount equal to 100% of qualified tuition and related expenses not in excess of \$2,000 plus 25% of those expenses in excess of \$2,000 but not in excess of \$4,000. That means that the maximum Hope Scholarship Credit allowable for 2016 is \$2,500. Income restrictions do apply and for 2016, those kick in for taxpayers with modified adjusted gross income (MAGI) in excess of \$80,000 (\$160,000 for a joint return). Lifetime Learning Credit. As with the Hope Scholarship Credit, income restrictions apply to the Lifetime Learning Credit. For 2016, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$111,000, up from \$110,000 for tax year 2015. Changes were also made to certain tax deductions, deferrals & exclusions for 2016. You'll find some of the most common here: Student Loan Interest Deduction. For 2016, the maximum amount that you can take as a deduction for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with modified adjusted gross income (MAGI) in excess of \$65,000 (\$130,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income (MAGI) of \$80,000 or more (\$160,000 or more for joint returns). Foreign Earned Income Exclusion. For tax year 2016, the foreign earned income exclusion is \$101,300, up from \$100,800 for tax year 2015. Transportation and Parking Benefits. For 2016, the monthly limitation for the qualified transportation fringe benefit remains at \$130 for transportation, but rises to \$255 for qualified parking, up from \$250 for tax year 2015. Medical Savings Accounts. For 2016, participants who have self-only coverage in a Medical Savings Account are subject to an annual deductible that is not less than \$2,250 (up from \$2,200 for tax year 2015) but not more than \$3,350 (up from \$3,300 for tax year 2015). For self-only coverage the maximum out of pocket expense amount remains at \$4,450. For 2016 participants with family coverage, the floor for the annual deductible remains as it was at \$4,450 (the same as in 2015); however the deductible cannot be more than \$6,700 (up \$50 from the limit for tax year 2015). For family coverage, the out of pocket expense limit remains at \$8,150 for tax year 2016 as it was for tax year 2015. You can see how early predictions for those 2016 tax rates stacked up here. More cost-of-living and other adjustments are available through Rev. Proc. 2015-53. And for a peek at the retirement contribution limits for 401(k) plans in 2016 and more, check out Ashlea Ebeling's related post. Photo Courtesy: Paul Giamou/Getty Images If you're a working American citizen, you most likely have to pay your taxes. And if you're reading this article, you're probably curious to know what exactly you're paying for: We'll break down everything you need to know about paying taxes — why are they important? What are you paying for? How are they used? How do you calculate your tax? We'll explore all that and more. Ready? Let's go. Why Are Taxes Important?Photo Courtesy: Peter Dazeley/Getty Images The government uses taxes to finance projects essential for the communities. For example, taxes directly contribute to our health sector, education, and governance. Taxes are essential for funding various medical research as well as social healthcare and social security. Alongside, the public education system heavily depends on your taxes as you contribute to improving the lives of those less fortunate. Your taxes also go toward the maintenance of your city, for example, improving the roads, lighting, and more. In short, taxes have a direct influence on economic and societal welfare.What Is a Tax?Photo Courtesy: Steven Heap/EyeEm / Getty Images Before we look at what your taxes are paying in more detail, let's break down what a tax really is. The official definition of a tax is an essential charge by a governmental organization. This charge is used to fund various projects as well as government spending. Every working American citizen is required to pay taxes — failure to do so is a criminal offense. The amount of tax you pay will depend on your annual income, although you can also find other tax types such as wealth taxes, sales taxes, property taxes, inheritance taxes, and many more.Why Do People Get Taxed?Photo Courtesy: Andersen Ross Photography Inc/Getty Images People get taxed according to the law in the country they're considered a resident in. For the US, getting taxed is essential if you're receiving income. Annually, working adults report their income to the IRS on a day known as "tax day." This is done with tax forms, which people have to send to the IRS. In those forms, you can also note expenses that allow you to lower your tax amount — the rules for tax write-offs vary and should be thoroughly examined to avoid further IRS investigations. Getting taxed is typically unavoidable as your employer will let the IRS know how much they paid you. Should you report a wrong figure, the IRS will be able to find out by comparing the figure given by your employer.How Do Taxes Help Society? Photo Courtesy: Thana Prasongsin/Getty Images We've already briefly looked at where your taxes go, so let's break down exactly where the US taxpayers' money went in 2018. Total government spending was noted as \$4.22 trillion. This is how they spent tax money in 2018: Social Security: \$987.8 billion or 23.4% of total federal spending National defense: \$631.2 billion or 15% of total spending Medicare: \$588.7 billion or 14% of total spending Health: \$551.2 billion or 13.1% of total spending Social safety net programs: \$495.3 billion or 11.8% of total spending Interest on debt: \$325 billion or 7.7% of total spending Transportation: \$92.8 billion or 2.2% of total spending International affairs: \$49 billion or 1.2% of total spending Administration of justice: \$60.4 billion or 1.4% of total spending Community and regional development: \$42.2 billion or 1% of total spending Natural resources and environment: \$39.1 billion or 0.9% of total spending General science, space, and technology: \$31.5 billion or 0.8% of total spending General government: \$23.9 billion or 0.6% of total spending Agriculture: \$21.8 billion or 0.5% of total spending Energy: \$2.2 billion or 0.05% of total spendingTax Brackets in the US Photo Courtesy: Constantine Johnny/Getty Images Tax brackets are defined as the bracket that determines the amount of tax you have to pay. This depends on your filing status and your taxable income. It's important to note that the tax bracket won't be your only determining factor of how much tax you owe — for example, if your income rises, you'll be charged at multiple rates. For the 2020 tax year, tax brackets were noted as 10%, 12%, 22%, 24%, 32%, 35% and 37%. How to Calculate TaxPhoto Courtesy: Emilia Manevska/Getty Images Once you know which tax bracket you belong to, it's time to calculate tax. The very first thing you should do is calculate your effective tax rate. This is your income after you take away the standard deduction. In 2020, standard deduction amounted to \$12,400 for a single household, \$24,800 for a joint household, and \$18,650 for the head of household. The next step is looking at your expenses. If they amount to more than the standard deduction, you can itemize these deductions to maximize your benefits. You can do so for various medical expenses, mortgage interest, business expenses, and much more. As calculating your taxes is a complicated process, it's best to use specific tax calculating tools that can make filing easier. TurboTax remains a popular choice when it comes to accurately calculating your taxes. However, you can also find plenty of free tax calculators to get an estimate. Tax and Capital Gains Photo Courtesy: Ronnie Kaufman/Getty Images Capital gains are typically associated with stocks and they must be claimed on your income taxes. They're split into short-term or long-term gains.Short-term capital gains are a result of selling an asset that the taxpayer has owned for one year or less. These taxes are paid at the rate of your regular income. Meanwhile, long-term capital gains refer to assets held for more than one year. Long-term capital gains rates stand at 0%, 15%, and 20%. By holding onto your assets for longer than a year, you can expect to pay lower tax than you would for short-term capital gains.Benefits of Paying TaxesPhoto Courtesy: Kiyoshi Hijiki/Getty Images We've already looked at how your taxes contribute to society, so let's examine what paying taxes do for your personal benefits. Paying your taxes can help with your loan approval, especially when it comes to home loans. Many loan companies require you to submit your Income Tax Return (ITR) and without it, your loan application may be rejected. Furthermore, if you're applying for an American Visa, you'll have to pay your taxes for at least 2-3 years before you can get your Visa application approved. Your ITR receipt also serves as your proof of income — if you're self-employed, this makes it easier to handle any financial transactions. Paying taxes is an essential duty of every working American citizen. It's extremely important to make sure your tax calculations are done correctly to avoid any IRS investigations MORE FROM ASKMONEY.COM

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