

ADVANCED MARKETS

Federal Tax – 2015 Landscape

On January 1, 2013, Congress enacted the American Taxpayer Relief Act (ATRA) of 2012. One of the primary impacts of ATRA was to raise tax rates on high-income earners. Every year the provisions introduced by ATRA are indexed for inflation, the following is a summary of the changes for 2015.

2015 Income Tax

Income Tax Rates

Tax brackets: 10%, 15%, 25%, 28%, 33%, 35%, 39.6%

Top tax rate on income 39.6% for:

Single filers with income more than \$413,200

Married filing jointly with income more than \$464,850

Trusts and estates with income more than \$12,300

Additional Medicare Tax: .09% on income more than \$200,000 (single filers), \$250,000 (married filing jointly return).

PEP and Pease Provisions

Personal exemption phaseout (PEP) and Pease limit imposed on itemized deductions (including charitable and mortgage interest deductions) were reinstated for taxpayers who exceed income thresholds of \$258,250 (single), \$309,900 (married filing jointly).

2015 Investment Tax

Tax on Long-Term Capital Gain and Qualified Dividends

Rate of 20% for:

Single filers with income more than \$413,200

Married filing jointly with income more than \$464,850

Trusts and estates with income more than \$12,300

Rate of 15% for: filers in the 25%, 28%, 33%, and 35% tax brackets

Rate of 0% for: filers in the 10% and 15% tax brackets* (Single filers with income less than \$37,450;

Married filing jointly return with income less than \$74,900)

3.8% Net Investment Income Tax – Additional tax on the lesser of net investment income or Modified Adjusted Gross Income (MAGI) over the applicable income threshold.

Single filers: MAGI more than \$200,000

Married filing jointly: MAGI more than \$250,000

Trusts and estates: Income more than \$12,300

Net investment income includes, but is not limited to: capital gains, dividends, interest, royalties, rent, distributed gains from nonqualified annuities, and passive business income.

*Subject to certain exceptions (e.g., collectibles and 1250 recapture).

2015 Estate and Gift Tax

Estate and Gift Tax

Unified Estate and Gift Tax Exclusion amount: **\$5,430,000**

Top tax rate of **40%**

Spousal portability permanently adopted

Spousal Portability

The Unified Estate and Gift Tax Exclusion is a per person exclusion. For married couples, if one spouse dies without using his or her entire federal estate and gift tax exclusion, the unused portion may be transferred to the surviving spouse.

Other Provisions

The America Taxpayer Relief Act of 2012 also includes several other significant tax provisions:

Alternative Minimum Tax (AMT)

The package includes a permanent and retroactive inflation indexing for individuals subject to the AMT.

American Opportunity Tax Credit

Five-year extension (through 2017) of this dollar-for-dollar credit of up to \$2,500 for education.

Child Tax Credit

Permanent extension of the tax credit and five-year extension (through 2017) of favorable refundability provisions.

Earned Income Tax Credit

Five-year extension (through 2017) of this credit available for lower-income earners.

Adoption Credit

Permanent extension of the adoption credit.

Dependent Care Credit

Permanent extension of the dependent care credit.

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