CCH projects 2015 tax rate brackets and other tax figures adjusted for inflation

Provided by Farkouh Furman & Faccio LLP

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Taxpayers will receive some modest relief for the 2015 tax year, thanks to the mandatory annual inflation-adjustments provided under the Tax Code. When there is inflation, indexing of brackets lowers tax bills by including more of people's incomes in lower brackets—for example by placing taxpayers' income in the existing 15-percent bracket, rather than the existing 25-percent bracket.

Wolters Kluwer, CCH has used the formulas specified in the Tax Code and the Department of Labor's newly-released Consumer Price Index (all urban) for August 2014 to project the inflation-adjusted figures for 2015. (The list provided below is not exhaustive.) The IRS is expected to issue the official figures by December 2014.

2015 Tax Schedules

Married Filing Jointly (and Surviving Spouses)	
Not over $18,450	10% of taxable income
$18,450 to $74,900	$1,845 + 15% of taxable income in excess of $18,450
$74,900 to $151,200	$10,312.50 + 25% of taxable income in excess of $74,900
$151,200 to $230,450	$29,387.50 + 28% of taxable income in excess of $151,200
$230,450 to $411,500	$51,577.50 + 33% of taxable income in excess of $230,450
$411,500 to $464,850	$111,324 + 35% of taxable income in excess of $411,500
Over $464,850	$129,996.50 + 39.6% of taxable income in excess of $464,850

Head of Household	
Not over $13,150	10% of taxable income
$13,150 to $50,200	$1,315 + 15% of taxable income in excess of $13,150
$50,200 to $129,600	$6,872.50 + 25% of taxable income in excess of $50,200
$129,600 to $209,850	$26,722.50 + 28% of taxable income in excess of $129,600
$209,850 to $411,500	$49,192.50 + 33% of taxable income in excess of $209,850
$411,500 to $439,000	$115,737 + 35% of taxable income in excess of $411,500
Over $439,000	$125,362 + 39.6% of taxable income in excess of $439,000

Single (Other than Heads of Household and Surviving Spouses)	
Not over $9,225	10% of taxable income
$9,225 to $37,450	$922.50 + 15% of taxable income in excess of $9,225
$37,450 to $90,750	$5,156.25 + 25% of taxable income in excess of $37,450
$90,750 to $189,300	$18,481.25 + 28% of taxable income in excess of $90,750
$189,300 to $411,500	$46,075.25 + 33% of taxable income in excess of $189,300
$411,500 to $413,200	$119,401.25 + 35% of taxable income in excess of $411,500
Over $413,200	$119,996.25 + 39.6% of taxable income in excess of $413,200

Married Filing Separate	
Not over $9,225	10% of taxable income
$9,225 to $37,450	$922.50 + 15% of excess over $9,225
$37,450 to $75,600	$5,156.25 + 25% of excess over $37,450
$75,600 to $115,225	$14,693.75 + 28% of excess over $75,600
$115,225 to $205,750	$25,788.75 + 33% of excess over $115,225
$205,750 to $232,425	$55,662 + 35% of excess over $205,750
Over $232,425	$64,998.25 + 39.6% of excess over $232,425

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Estates and Trusts	
Not over $2,500	15% of taxable income
$2,500 to $5,900	$375 + 25% of taxable income in excess of $2,500
$5,900 to $9,050	$1,225 + 28% of taxable income in excess of $5,900
$9,050 to $12,300	$2,107 + 33% of taxable income in excess of $9,050
Over $12,300	$3,179.50 + 39.6% of taxable income in excess of $12,300
Not over $2,500	15% of taxable income
$2,500 to $5,900	$375 + 25% of taxable income in excess of $2,500

2015 personal exemption

For 2015, personal exemptions will increase to $4,000, up from $3,950 in 2014. The phase out of the personal exemption for higher income taxpayers will begin after taxpayers pass the same income thresholds set forth for the limitation on itemized deductions, detailed below.

The personal exemption will completely phase out when income surpasses the following levels: $432,400 (married joint filers); $406,550 (Heads of household); $380,750 (unmarried taxpayers); and $216,200 (married filing separate).

2015 standard deduction

For 2015, the standard deduction will be as follows: $6,300 for unmarried taxpayers and married separate filers (up from $6,200 in 2014). For married joint filers, the standard deduction will rise to $12,600, up from $12,400 in 2014. For heads of household, the standard deduction will be $9,250, up from $9,100 in 2014.

The 2015 standard deduction for an individual claimed as a dependent on another taxpayer's return is either $1,050 or $350 plus the dependent's earned income, whichever is greater.

The additional standard deduction for the blind and aged increases for married taxpayers to $1,250, up from $1,200 in 2014. For unmarried, aged, or blind taxpayers, the amount of the additional standard deduction remains $1,550.

Limitation on itemized deductions

For higher income taxpayers who itemize their deductions, the limitation on itemized deductions for 2015 will be imposed at the following income levels:

- For married couples filing joint returns or surviving spouses, the income threshold will be $309,900, up from $305,050 for 2014.
- For heads of household, the threshold will be $284,050, up from $279,650 in 2014.
- For single taxpayers, the threshold will be $258,250, up from $254,200 in 2014.
- For married taxpayers filing separate returns, the 2015 threshold will be $154,950, up from $152,525 for 2014.

AMT exemptions

Wolters Kluwer, CCH projects that, for 2015, the AMT exemption for married joint filers and surviving spouses will be $83,400 (up from $82,100 in 2014). For heads of household and unmarried single filers, the exemption will be $53,600 (up from $52,800 in 2014). For married separate filers, the exemption will be $41,700, up from ($41,050 in 2014). For estates and trusts, the exemption will be $23,800 (up from $23,500 in 2014.)

For a child to whom the so-called "kiddie tax" under Code Sec. 1(g) applies, the exemption amount for AMT purposes may not exceed the sum of the child's earned income for the tax year, plus $7,400 (up from $7,250 for 2014).

Other adjusted amounts

IRA Contributions. The maximum amount of deductible contributions that can be made to an IRA will remain the same for 2015, at $5,500 (or $6,500 for taxpayers eligible to make catch-up contributions). The income phase out ranges increase, however. For 2015, the allowable amount of deductible IRA contributions will phase out for married joint filers whose income is between $98,000 and $118,000 (if both spouses are covered by a retirement plan at work). If only one spouse is covered by a retirement plan at work, the phase out range is from $183,000 to $193,000.

For heads of household and unmarried filers who are covered by a retirement plan at work, the 2015 income phase out range for deductible IRA contributions is $61,000 to $71,000, up from $60,000 to $70,000 for 2014.

Education Savings Bond Interest Exclusion. When U.S. savings bonds are redeemed to pay expenses for higher education, the interest may be excluded from income if the taxpayer's income is below a certain range. For 2015, the phase-out range for single filers will be from $77,200 to $92,200 (up from $76,000 to $91,000 for 2014). For joint filers the 2015 phase-out range will be $115,750 to $145,750 (up from $113,950 to $143,950 for 2014).

Phase-out of Student Loan Interest Deduction. For 2015, the $2,500 student loan interest deduction will phase out for married joint filers with income between $130,000 and $160,000, the same as for 2014. The 2015 deduction will phase out for single taxpayers with income between $65,000 to $80,000.

Medical Savings Accounts. The minimum–maximum range for premiums used to determine whether a medical savings account (MSA) is tied to a high deductible health plan for 2015 will be $2,200–$3,300 for self-only coverage (up from $2,200 to $3,250 for 2014) and $4,450 to $6,650 for family coverage (up from $4,350 to $6,550 for 2014).

Self-only coverage plans are subject to a $4,450 maximum amount for annual out-of-pocket costs (up from $4,350 for 2014). Family coverage plans have a $8,150 annual limit (up $8,000 for 2014).

Limitation on Flexible Spending Arrangements (FSAs). The limitation on the amount of salary reductions an employee may elect to contribute to a cafeteria plan under an FSA increases to $2,550 for 2015, up $50 from the limit for 2014 and 2013.

Qualified Transportation Fringe Benefits. For 2015, the monthly cap on the exclusion for transit passes and for commuter highway vehicles will be $130, the same as it was for 2014 (parity between transit and parking benefits expired at the end of 2013). The monthly cap on qualified parking benefits will be $250, the same as for 2014.

Estate and Gift Tax. The gift tax annual exemption will remain the same for 2015, at $14,000. However, the estate and gift tax applicable exclusion will increase from $5,340,000 in 2014 to $5,430,000 for 2015.

Gifts to Noncitizen Spouses. The first $147,000 of gifts made in 2015 to a spouse who is not a U.S. citizen will not be included in taxable gifts, up $2,000 from $145,000 in 2014.

Foreign Earned Income/Housing. The amount of the 2015 foreign earned income exclusion under Code Sec. 911 will be $100,800, up from $99,200 for 2014. The maximum foreign earned income housing deduction for 2015 will be $30,240, up from $29,760 for 2014.