

# 2015 Tax Planning

## Taxable Income Brackets for 2015 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
39.6%*	Over \$464,850	Over \$413,200
35%	\$411,501 – \$464,850	\$411,501 – \$413,200
33%	\$230,451 – \$411,500	\$189,301 – \$411,500
28%	\$151,201 – \$230,450	\$90,751 – \$189,300
25%	\$74,901 – \$151,200	\$37,451 – \$90,750
15%	\$18,451 – \$74,900	\$9,226 – \$37,450
10%	\$0 – \$18,450	\$0 – \$9,225

The top rate is effectively 43.4% for those subject to the 3.8% Medicare surtax on net investment income

## 2015 Adjusted Gross Income Thresholds for Phase-out of Personal Exemptions

Filing Status	Phaseout Begins*	Phaseout Complete
Married Filing Joint	\$309,900	\$432,400
Single	\$258,250	\$380,750

\*The "Pease" limit, a 3% reduction in overall itemized deductions, also begins to impact clients at these thresholds. For every \$1 of AGI over this threshold, a client will lose three cents of itemized deductions, up to a maximum of 80%.

## Taxable Income Brackets for 2015 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
20%*	Over \$464,850	Over \$413,200
15%**	\$74,901 – \$464,850	\$37,451 – \$413,200
0%	\$0 – \$74,900	\$0 – \$37,450

\*The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income

\*\*Clients in the 15% LTCG tax bracket with MAGI over their 3.8% threshold (\$250,000 joint filers/\$200,000 single filers) will pay an effective rate of 18.8%

## 2015 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate Tax	\$5,430,000	40%
Gift Tax	\$5,430,000	40%
GST Tax	\$5,430,000	40%

\*The estate and gift exemptions have been made permanently portable and can be transferred to a client's (surviving) spouse. The GST exemption is NOT portable.

### Alternative Minimum Tax (AMT)

The AMT exemption amounts are permanently indexed for inflation. For 2015 the exemption amount is \$83,400 married filing joint (\$53,600 for singles, \$41,700 married filing separate, \$23,800 estates and trusts).

### Qualified Charitable Distributions

Qualified charitable distributions (QCDs) expired after 2014, but will likely be renewed for 2015. IRA owners and IRA beneficiaries age 70½ or older can directly transfer up to \$100,000 to a qualifying charity. The transfer can satisfy an RMD and is not included in a client's AGI.

### In-Plan Roth Conversions Expanded

Clients no longer need to be eligible to take a distribution from their 401(k) and other plans to make in-plan Roth conversions. In-plan conversions are irrevocable and *cannot be recharacterized* like Roth IRA conversions. Plans are still not required to offer this feature.

## 2015 Tax Bracket Management at a Glance

**Pay attention to tax brackets** – Higher income clients will see their taxes increased due to top income and capital gain rates, the phase-out of itemized deductions and exemptions, the 3.8% surtax and the 0.9% surtax.

Top Income and Capital Gain Rates	Phase-Outs of Personal Exemptions and Itemized Deductions	3.8% Tax on Net Investment Income 0.9% Tax on Earned Income
Based on <b>taxable income</b> \$464,850 married joint \$413,200 single	Based on <b>AGI</b> \$309,900 married joint \$258,250 single	The 3.8% tax is based on <b>modified adjusted gross income</b> \$250,000 married joint \$200,000 single  The 0.9% tax is based on <b>earned income</b> over these limits (wages and self-employment income)

**Trust Tax Rates** – Distributions from inherited IRAs that exceed **\$12,300** and are made to and retained in discretionary trusts will be subject to the top 39.6% rate. Conduit trusts and Roth conversions during the IRA owner's life become more valuable.