

Do You Owe Taxes in 2015?

In this article, we'll explain the significant income tax changes in 2015. That discussion will include changes to federal income tax standard deductions and exemptions, mileage deduction rates, earned income credits, Hope and Lifetime Learning tax credits, in addition to changes to retirement accounts and Roth plans. This information applies to changes effective in 2015, which then become part of a taxpayer's return filed in 2016.

Federal Income Tax Filing Deadline

The filing deadline for the year 2015 is Friday April 15, 2016.

Income Tax Rates – the American Taxpayer Relief Act of 2012, or ATRA, added a seventh federal income tax bracket (39.6%) in 2013, while the remaining six rates were unchanged. In 2015, taxable incomes above the following thresholds now fall into the 39.6% bracket: Married Filing Separately (\$232,425), Unmarried Individuals (\$413,200), Head of Household (\$439,000), and Married Filing Joint Returns (\$464,850)



Low Taxes with little to no risk is a great goal!

Capital Gains Tax

ATRA also made several important changes to the treatment of capital gains, and eliminated sunset provisions, adding stability and permanence to these rules:

Income Thresholds: individuals in the 10% and 15% tax brackets will pay 0% on eligible dividends and most capital gains.

Qualified Dividends: income received will be taxed at the same rate as long-term capital gains.

Tax Rate: individuals in the 25%, 33%, and 35% federal income tax brackets will pay 15% on capital gains, while taxpayers in the 39.6% bracket will pay 20%. Unmarried individuals (Single) with income over \$200,000 and Married couples filing jointly with income over \$250,000 will also pay a 3.8% Medicare surcharge tax on investment income; it increases the effective rate on capital gains to 23.8% (20% + 3.8%).

Standard Deductions –

The IRS says approximately two out of every three taxpayers claim the standard deduction. The 2015 change to the standard deduction for all individual taxpayers, is;

- **Single (Unmarried Individuals):** \$6,300, an increase of \$100
- **Married Filing Separately:** \$6,300, an increase of \$100
- **Head of Household:** \$9,250, an increase of \$150
- **Married Taxpayers Filing Jointly and Qualifying Widow(er)s:** \$12,600, an increase of \$200

Exemption Values –

The amount deducted for each exemption claimed in 2015 is \$4,000, which is an increase of \$50.

Increase to Earned Income Credit -

The earned income credit applies to working taxpayers that have income falling below certain thresholds. The qualification threshold depends on the number of persons in each family. The thresholds in 2015 are:

- **No Children:** earnings must be less than \$14,820, or \$20,330 if Married Filing Jointly.
- **1 Child:** earnings must be less than \$39,131, or \$44,651 if Married Filing Jointly.
- **2 Children:** earnings must be less than \$44,454, or \$49,974 if Married Filing Jointly.
- **3 or More Children:** earnings must be less than \$47,747, or \$53,267 if Married Filing Jointly.

The tax credits themselves also increased in 2015 as well.

- **No Children:** \$503; **1 Child:** \$3,359; **2 Children:** \$5,548; **3 or More Children:** \$6,242



Contributions to Retirement Accounts

The contribution limits for 401(k) as well as 403(b) plans increases to \$18,000 in 2015. Catch up contributions also increase to \$6,000. The contribution limit for SIMPLE retirement plans increase to \$12,500, while the catch up contribution limit remains at \$2,500.



In 2015, the contribution limits for Traditional IRAs and Roth IRAs is \$5,500, with a catch-up contribution of \$1,000 for anyone age 50 or older by the end of the calendar year. The income limits for individuals willing to fund Traditional IRAs as well as Roth IRA plans increased modestly again in 2015. The income phase-out threshold for Roth IRAs now starts at \$183,000 for those filing joint returns, which is an increase of \$2,000. The phase-out threshold for taxpayers filing their returns as Head of Household or Single is now \$116,000, which is a \$2,000 increase over last year's value.