



TaxNewsFlash

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Rev. Proc. 2016-55: Inflation adjustments for 2017

The IRS today released an advance version of Rev. Proc. 2016-55 that provides the annual inflation adjustments for more than 50 tax provisions, including the tax rate schedules and other tax amounts as adjusted for inflation for 2017.

[Rev. Proc. 2016-55](#) [PDF 101 KB] provides details about these annual adjustments. The tax year 2017 adjustments generally are used on tax returns filed in 2018.

Certain individual income tax amounts increase, others unchanged for 2017

As briefly explained in a related IRS release—[IR 2016-139](#) (October 25, 2016)—the following items reflect the inflation adjustments for 2017:

Standard deduction

Taxpayers	2017 amount	Compared to 2016 amount
Married filing jointly	\$12,700	Up from \$12,600
Single / married filing separately	\$6,350	Up from \$6,300
Heads of households	\$9,350	Up from \$9,300

Personal exemption: No change for 2017—\$4,050

Personal exemption phase-out:

- Personal exemption phase-out begins with adjusted gross income (AGI) of \$261,500 (\$313,800 for married filing jointly).
- Personal exemption phases out completely at AGI of \$384,000 (\$436,300 for married filing jointly).

39.6% income tax rate: For tax year 2017, the 39.6% tax rate applies for:

- Single taxpayers whose income exceeds \$418,400 (up from \$415,050 in 2016)
- Married taxpayers filing jointly whose income exceeds \$470,700 (up from \$466,950 in 2016)

Itemized deduction limits

- The limitation for itemized deductions to be claimed on tax year 2017 returns of single taxpayers begins with incomes of \$261,500 or more (\$313,800 for married filing jointly).

AMT exemption

- The alternative minimum tax (AMT) exemption amount for tax year 2017 is increased to \$54,300 for single taxpayers (\$84,500 for married filing jointly). The 2016 exemption amount was \$53,900 (\$83,800 for married filing jointly).
- The AMT exemption begins to phase out for single taxpayers at \$120,700 (\$160,900 for married filing jointly).

Foreign earned income exclusion

For tax year 2017, the foreign earned income exclusion is \$102,100 (up from \$101,300 for tax year 2016)

Earned income credit (EIC)

The tax year 2017 maximum EIC amount is \$6,318 for taxpayers filing jointly who have three or more qualifying children (up from a total of \$6,269 for tax year 2016).

Benefits

For tax year 2017:

- The monthly limitation for the qualified transportation fringe benefit is \$255.
- The monthly limitation for qualified parking is \$255.
- The dollar amount used to determine the penalty for not maintaining minimum essential health coverage is \$695 (this amount is for calendar year 2017).
- The adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$112,000 (up from \$111,000 for tax year 2016).

The annual deductible amounts for Medical Savings Accounts (MSAs) for 2017 increase as shown in the table below (with changes from 2016 noted):

Medical Savings Accounts (MSAs)	Self-only coverage	Family coverage
Minimum annual deductible	\$2,250 (unchanged)	\$4,500 (up \$50)
Maximum annual deduction	\$3,350	\$6,750 (up \$50)
Maximum annual out-of-pocket expenses	\$4,500 (up \$50)	\$8,250 (up \$100)

Estate and gift tax amounts

- Estates of decedents who die during 2017 have a basic exclusion amount of \$5,490,000 (up from a total of \$5,450,000 for estates of decedents who died in 2016).
- For 2017, the exclusion from tax on a gift to a spouse who is not a U.S. citizen is \$149,000 (up from \$148,000 for 2016).
- The annual exclusion for gifts remains at \$14,000 for 2017.

Inflation adjustments for 2017—items of interest to exempt organizations

- The exemption of annual dues paid by a member to an agricultural or horticultural organization that is not characterized as “unrelated trade or business” income (UBTI) will be \$162.
- The UBTI of certain exempt organizations will not include a “low cost article” of \$10.70 or less.
- The \$5, \$25, and \$50 guidelines for disregarding insubstantial benefits received by a donor in return for a fully deductible charitable contribution under section 170 (as set forth in Rev. Proc. 90-12, as amplified by Rev. Proc. 92-49 and modified by Rev. Proc. 92-102) will be \$10.70, \$53.50, and \$107, respectively.
- For tax years beginning in 2017, the annual per person, family or entity limitation to qualify for the reporting exception for nondeductible lobbying expenses under section 6033(e)(3) will be \$113 or less.

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