

2017 Inflation Adjustments Impacting Tax Benefits & Retirement Plans

The tax team at **Lindquist, von Husen & Joyce LLP** would like to bring your attention to inflation and cost of living adjustments for the 2017 tax year. Please be aware that *those changes for tax year 2017 are to be reflected on tax returns you will be filing in 2018.*

1) Tax Benefits Increase Due to Inflation Adjustments

The **Internal Revenue Service (IRS)** recently made adjustments for more than 50 tax provisions. You can review additional details in **Revenue Procedure 2016-55**.

| Adjustment Type | 2017 | 2016 |
|---|---|--|
| Standard deduction | <ul style="list-style-type: none"> Single or married but filing separately: \$6,350 Married filing jointly: \$12,700 Head of household: \$9,350 | <ul style="list-style-type: none"> Single or married but filing separately: \$6,300 Married filing jointly: \$12,600 Head of household: \$9,300 |
| Personal exemption | <ul style="list-style-type: none"> Remains the same as \$4,050 It phases out completely at: <ul style="list-style-type: none"> – \$384,000 for those who have adjusted gross incomes of \$261,500+ – \$436,300 for married couples filing jointly with adjusted gross incomes of \$313,800+ | <ul style="list-style-type: none"> \$4,050 It phases out completely at: <ul style="list-style-type: none"> – \$381,900 for those who have adjusted gross incomes of \$259,000+ – \$433,800 for married couples filing jointly with adjusted gross incomes of \$311,300+ |
| 39.6% tax rate | Affects: <ul style="list-style-type: none"> Single taxpayers with incomes of \$418,400+ Married couples filing jointly with incomes of \$470,700+ | Affects: <ul style="list-style-type: none"> Single taxpayers with incomes of \$415,050+ Married couples filing jointly with incomes of \$466,950 |
| Limitation for itemized deductions | <ul style="list-style-type: none"> For individuals: Begins with incomes of \$287,650+ Married couples filing jointly: Begins with incomes of \$313,800+ | <ul style="list-style-type: none"> For individuals: Begins with incomes of \$259,400+ Married couples filing jointly: Begins with incomes of \$311,300+ |
| Alternative minimum tax exemption | <ul style="list-style-type: none"> For individuals: \$54,300 (Phase-out begins at \$120,700.) For married couples filing jointly: \$84,500 (Phase-out begins at \$160,900.) 28% tax rate applies to: (NEW) <ul style="list-style-type: none"> – Taxpayers with taxable incomes of \$187,800+ – Married couples filing separately with incomes of \$93,900+ | <ul style="list-style-type: none"> For individuals: \$53,900 (Phase-out begins at \$119,700.) For married couples filing jointly: \$83,800 (Phase-out begins at \$159,700.) |

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1) Tax Benefits Increase Due to Inflation Adjustments (Continued)

| Adjustment Type | 2017 | 2016 |
|--|---|--|
| Maximum earned income credit | <ul style="list-style-type: none"> For taxpayers filing jointly with 3 or more qualifying children: \$6,318 | <ul style="list-style-type: none"> For taxpayers filing jointly with 3 or more qualifying children: \$6,269 |
| Adjusted gross income used by joint filers to determine the Lifetime Learning Credit | \$112,000 | \$111,000 |
| Foreign earned income exclusion | \$102,100 | \$101,300 |
| Basic exclusion amount for estates of decedents who die | \$5,490,000 | \$5,450,000 |

2) Increased Dollar Limitations on Benefits & Contributions for Retirement Plans

Additionally, IRS has made 2017 cost-of-living adjustments applicable to dollar limitations for retirement plans and other items. Please see below for comparison.

| 401(k) Plan Limits | 2017 | 2016 |
|-----------------------------------|------------------|-----------|
| 401(k) Elective Deferrals | \$18,000 | \$18,000 |
| Catch-Up Contribution Limit | \$6,000 | \$6,000 |
| Annual Defined Contribution Limit | \$54,000 | \$53,000 |
| Annual Compensation Limit | \$270,000 | \$265,000 |
| Highly Compensated Employees | \$120,000 | \$120,000 |

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2) Increased Dollar Limitations on Benefits & Contributions for Retirement Plans (Continued)

| Non 401(k) Related Limits | 2017 | 2016 |
|--------------------------------------|------------------|-----------|
| 403(b)/457 Elective Deferrals | \$18,000 | \$18,000 |
| SIMPLE Employee Deferrals | \$12,500 | \$12,500 |
| SIMPLE Catch-Up Deferral | \$3,000 | \$3,000 |
| SEP Minimum Compensation | \$600 | \$600 |
| SEP Annual Compensation Limit | \$270,000 | \$265,000 |
| Defined Benefit Plan Limit | \$215,000 | \$215,000 |
| Social Security Wage Base | \$127,200 | \$118,500 |
| IRA Deductible Contribution Limit | \$5,500 | \$5,500 |
| IRA Catch-Up Contribution Limit | \$1,000 | \$1,000 |
| Health Savings Account – Individuals | \$3,400 | \$3,350 |
| Health Savings Account – Family | \$6,750 | \$6,750 |
| Health Savings Account – Catch-Up | \$1,000 | \$1,000 |



If you have any questions or would like to discuss your unique situations, please contact: **Steven J. Robertson**, Principal, at srobertson@lvhj.com or 415-905-5420.

[Click here to read more about Steven J. Robertson.](#)

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