

2015 Standard Deductions, Exemptions & Credits

Standard Deductions. All taxpayers will see a slight bump in the standard deduction. The standard deduction rises to \$6,300 for singles and married persons filing separate returns and \$12,600 for married couples filing jointly, up from \$6,200 and \$12,400, respectively, for tax year 2014. The standard deduction for heads of household rises to \$9,250, up from \$9,100.

FILING STATUS	STANDARD DEDUCTION AMOUNT
Single	\$6,300
Married Filing Jointly	\$12,600
Married Filing Separately	\$6,300
Head of Household	\$9,250
Surviving Spouse	\$12,600
\$411,501 - \$439,000	\$119,401.25 + 35% of the amount over \$411,500
\$439,001 +	\$119,996.25 + 39.6% of the amount over \$413,200

Itemized Deductions. The limitation for itemized deductions – the Pease limitations, named after former Rep. Don Pease (D-OH) – for 2015 will kick in for individuals with incomes of \$258,250 or more (\$309,900 for married couples filing jointly). The Pease limitations were slated to be reduced beginning in 2006 and eliminated in 2010; as with the other tax cuts, the elimination was extended through the end of 2012. The limitations were brought back in 2013 at the original thresholds, indexed for inflation. The result of those changes is basically an increase in the top marginal tax rates.

Personal Exemptions. The personal exemption amount also goes up for 2015. The personal exemption for 2015 is \$4,000, up from \$3,950 in 2014. Phase-outs for personal exemption amounts (sometimes called “PEP”) begins with adjusted gross incomes of \$258,250 (\$309,900 for married couples filing jointly); they phase out completely at \$380,750 (\$432,400 for married couples filing jointly.)

Family Related Tax Item Updates:

Earned Income Tax Credit (EITC). For 2015, the maximum EITC amount available is \$3,359 for taxpayers filing jointly with one child; \$5,548 for two children; \$6,242 for three or more children (up from \$6,143 in 2014) and \$503 for no children. Phaseouts are based on filing status and number of children and begin at \$8,240 for single taxpayers with no children and \$18,110 for single taxpayers with one or more children.

Child Tax Credit. For 2015, the value used to determine the amount of credit that may be refundable is \$3,000 (the credit amount has not changed). Keep in mind that this is the value of the expenses used to determine the credit and not the actual amount of the credit.

Kiddie Tax. For 2015, the threshold for the kiddie tax — meaning the amount of unearned net income that a child can take home without paying any federal income tax — is \$1,050.

Adoption Credit. For 2015, the credit allowed for an adoption of a child with special needs is \$13,400, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,400. Phaseouts do apply beginning at taxpayers with modified adjusted gross income (MAGI) in excess of \$201,010 and completely phased out for taxpayers with MAGI of \$241,010 or more.

[continued...]

Information gathered from www.irs.gov

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Education Related Updates:

Hope Scholarship Credit. The Hope Scholarship Credit for 2015 will be an amount equal to 100% of qualified tuition and related expenses not in excess of \$2,000 plus 25% of those expenses in excess of \$2,000 but not in excess of \$4,000. That means that the maximum Hope Scholarship Credit allowable for 2015 is \$2,500. Income restrictions do apply and for 2015, those kick in for taxpayers with modified adjusted gross income (MAGI) in excess of \$80,000 (\$160,000 for a joint return).

Lifetime Learning Credit. As with the Hope Scholarship Credit, income restrictions apply to the Lifetime Learning Credit. For 2015, those restrictions begin with taxpayers with modified adjusted gross income (MAGI) in excess of \$55,000 (\$110,000 for a joint return).

Student Loan Interest Deduction. For 2015, the maximum amount that you can take as a deduction for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with modified adjusted gross income (MAGI) in excess of \$65,000 (\$130,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income (MAGI) of \$80,000 or more (\$160,000 or more for joint returns).

Health Care and Fringe Benefit Updates:

Flexible Spending Accounts. The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending accounts (FSA) edges up to \$2,550 for 2015 (up from \$2,500).

Qualified Transportation Fringe Benefit. For 2015, the monthly limitation for transportation in a commuter highway vehicle and any transit pass is \$130. The monthly limitation for qualified parking is \$250.

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