

INFLATION-ADJUSTED 2016 FIGURES FOR ESTATE AND TRUST TAX BRACKETS AND OTHER TRANSFER TAX ITEMS

A number of tax figures are adjusted each year for inflation based on the average Consumer Price Index (CPI) for the 12-month period ending the previous August 31. The August 2015 CPI has been released by the Labor Department. (U.S. Department of Labor, Consumer Price Index (for all-urban consumers), 9/16/2015). Using the CPI for August 2015 (and the preceding 11 months), the Thomson Reuters Checkpoint editorial staff has calculated adjustments for 2016 to the estate and trust income tax rate schedule, and for transfer tax items.

Tax rate schedules. The tax rate schedules for 2016 will be as follows:

FOR ESTATES AND TRUSTS:	
If taxable income is:	The tax is:
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Not over \$2,550	15% of taxable income
Over \$2,550 but not over \$5,950	\$382.50 plus 25% of the excess over \$2,550
Over \$5,950 but not over \$9,050	\$1,232.50 plus 28% of the excess over \$5,950
Over \$9,050 but not over \$12,400	\$2,100.50 plus 33% of the excess over \$9,050
Over \$12,400	\$3,206 plus 39.6% of the excess over \$12,400

Unified estate and gift tax exclusion amount. For gifts made and estates of decedents dying in 2016, the exclusion amount will be \$5,450,000 (up from \$5,430,000 for gifts made and estates of decedents dying in 2015).

Generation-skipping transfer (GST) tax exemption. The exemption from GST tax will be \$5,450,000 for transfers in 2016 (up from \$5,430,000 for transfers in 2015).

Gift tax annual exclusion. For gifts made in 2016, the gift tax annual exclusion will be \$14,000 (same as for gifts made in 2015).

Special use valuation reduction limit. For estates of decedents dying in 2016, the limit on the decrease in value that can result from the use of special valuation will be \$1,110,000 (up from \$1,100,000 for 2015).

Determining 2% portion for interest on deferred estate tax. In determining the part of the estate tax that is deferred on a farm or closely-held business that is subject to interest at a rate of 2% a year, for decedents dying in 2016, the tentative tax will be computed on \$1,480,000 (up from \$1,470,000 for 2015) plus the applicable exclusion amount.

Increased annual exclusion for gifts to noncitizen spouses. For gifts made in 2016, the annual exclusion for gifts to noncitizen spouses will be \$148,000 (up from \$147,000 for 2015).

Reporting foreign gifts. If the value of the aggregate “foreign gifts” received by a U.S. person (other than an exempt Code Sec. 501(c) organization) exceeds a threshold amount, the U.S. person must report each “foreign gift” to IRS. (Code Sec. 6039F(a)) Different reporting thresholds apply for gifts received from (a) nonresident alien individuals or foreign estates, and (b) foreign partnerships or foreign corporations. For gifts from a nonresident alien individual or foreign estate, reporting is required only if the aggregate amount of gifts from that person exceeds \$100,000 during the tax year. For gifts from foreign corporations and foreign partnerships, the reporting threshold amount will be \$15,671 in 2016 (up from \$15,601 for 2015).

Kiddie tax. The exemption from the kiddie tax for 2016 will be \$2,100 (same as for 2015). A parent will be able to elect to include a child's income on the parent's return for 2016 if the child's income is more than \$1,050 and less than \$10,500 (same as for 2015).

AMT exemption for child subject to kiddie tax. The AMT exemption for 2016 for a child subject to the kiddie tax will be the lesser of (1) \$7,400 (same as for 2015) plus the child's earned income, or (2) \$53,900 (up from \$53,600 for 2015).