

2017 Tax Brackets

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Introduction

Every year, the IRS adjusts more than 40 tax provisions for inflation. This is done to prevent what is called “bracket creep.” This is the phenomenon by which people are pushed into higher income tax brackets or have reduced value from credits or deductions due to inflation, instead of any increase in real income.

The IRS uses the Consumer Price Index (CPI) to calculate the past year’s inflation and adjusts income thresholds, deduction amounts, and credit values accordingly.¹

Estimated Income Tax Brackets and Rates

In 2017, the income limits for all brackets and all filers will be adjusted for inflation and will be as follows (Table 1). The top marginal income tax rate of 39.6 percent will hit taxpayers with taxable income of \$418,400 and higher for single filers and \$470,700 and higher for married couples filing jointly.

Table 1.
Single Taxable Income Brackets and Rates, 2017

Rate	Taxable Income Bracket	Tax Owed
10%	\$0 to \$9,325	10% of Taxable Income
15%	\$9,325 to \$37,950	\$932.50 plus 15% of the excess over \$9325
25%	\$37,950 to \$91,900	\$5,226.25 plus 25% of the excess over \$37,950
28%	\$91,900 to \$191,650	\$18,713.75 plus 28% of the excess over \$91,900
33%	\$191,650 to \$416,700	\$46,643.75 plus 33% of the excess over \$191,650
35%	\$416,700 to \$418,400	\$120,910.25 plus 35% of the excess over \$416,700
39.60%	\$418,400+	\$121,505.25 plus 39.6% of the excess over \$418,400

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¹ Internal Revenue Service, <https://www.irs.gov/pub/irs-drop/rp-16-55.pdf>

Table 2.

Married Filing Joint Taxable Income Brackets and Rates, 2017

Rate	Taxable Income Bracket	Tax Owed
10%	\$0 to \$18,650	10% of taxable income
15%	\$18,650 to \$75,900	\$1,865 plus 15% of the excess over \$18,650
25%	\$75,900 to \$153,100	\$10,452.50 plus 25% of the excess over \$75,900
28%	\$153,100 to \$233,350	\$29,752.50 plus 28% of the excess over \$153,100
33%	\$233,350 to \$416,700	\$52,222.50 plus 33% of the excess over \$233,350
35%	\$416,700 to \$470,700	\$112,728 plus 35% of the excess over \$416,700
39.60%	\$470,700+	\$131,628 plus 39.6% of the excess over \$470,700

Table 3.

Head of Household Taxable Income Brackets and Rates, 2017

Rate	Taxable Income Bracket	Tax Owed
10%	\$0 to \$13,350	10% of taxable income
15%	\$13,350 to \$50,800	\$1,335 plus 15% of the excess over \$13,350
25%	\$50,800 to \$131,200	\$6,952.50 plus 25% of the excess over \$50,800
28%	\$131,200 to \$212,500	\$27,052.50 plus 28% of the excess over \$131,200
33%	\$212,500 to \$416,700	\$49,816.50 plus 33% of the excess over \$212,500
35%	\$416,700 to \$444,500	\$117,202.50 plus 35% of the excess over \$416,701
39.60%	\$444,500+	\$126,950 plus 39.6% of the excess over \$444,550

Source: IRS.

Standard Deduction and Personal Exemption

The standard deduction for single filers will increase by \$50 and \$100 for married couples filing jointly (Table 4).

The personal exemption for 2017 remains the same at \$4,050.

Table 4.

2017 Standard Deduction and Personal Exemption

Filing Status	Deduction Amount
Single	\$6,350
Married Filing Jointly	\$12,700
Head of Household	\$9,350
Personal Exemption	\$4,050

Source: IRS.

PEP and Pease

PEP and Pease are two provisions in the tax code that increase taxable income for high-income earners. PEP is the phaseout of the personal exemption and Pease (named after former Senator Donald Pease) phases out the value of most itemized deductions once a taxpayer's adjusted gross income reaches a certain amount.

The income threshold for both PEP and Pease will increase from last year to \$261,500 for single filers and \$318,800 for married couples filing jointly (Tables 5 and 6). PEP will end at \$384,000 for singles and \$436,300 for married couples filing jointly (both will increase from 2016), meaning that taxpayers with AGI above these limits will no longer benefit from personal exemptions.

Table 5.
2017 Pease Limitations on Itemized Deductions

Filing Status	Income
Single	\$261,500
Married Filing Jointly	\$318,800
Head of Household	\$287,650
Married Filing Separately	\$156,900

Source: IRS.

Table 6.
2017 Personal Exemption Phaseout

Filing Status	Phaseout Begins	Phaseout Complete
Single	\$261,500	\$384,000
Married Filing Jointly	\$313,800	\$436,300
Head of Household	\$287,650	\$410,150
Married Filing Separately	\$156,900	\$218,150

Source: IRS.

Alternative Minimum Tax

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2017 is \$54,300 for singles and \$84,500 for married couples filing jointly (Table 7).

Table 7.

2017 Alternative Minimum Tax Exemptions

Filing Status	Exemption Amount
Single	\$54,300
Married Filing Jointly	\$84,500
Married Filing Separately	\$42,250
Trusts & Estates	\$24,100

Source: IRS.

In 2017, the 28 percent AMT rate applies to excess AMTI of \$187,800 for all taxpayers (\$93,900 for married couples filing joint returns).

Under current law, AMT exemptions phase out at 25 cents per dollar earned once taxpayer AMTI hits a certain threshold. In 2017, the exemption will start phasing out at \$120,700 in AMTI for single filers and \$160,900 for married taxpayers filing jointly (Table 8).

Table 8.

2017 Alternative Minimum Tax Exemption Phaseout Thresholds

Filing Status	Threshold
Single	\$120,700
Married Filing Jointly	\$160,900
Married Filing Separately, Estates and Trusts	\$80,450

Earned Income Tax Credit

2017's maximum Earned Income Tax Credit for singles, heads of households, and joint filers is \$510, if the filer has no children (Table 9). The credit is \$3,400 for one child, \$5,616 for two children, and \$6,318 for three or more children. All of the aforementioned are relatively small increases from 2016.

Table 9.
2017 Earned Income Tax Credit Parameters

Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$6,670	\$10,000	\$14,040	\$14,040
	Maximum Credit	\$510	\$3,400	\$5,616	\$6,318
	Phaseout Begins	\$8,340	\$18,340	\$18,340	\$18,340
	Phaseout Ends (Credit Equals Zero)	\$15,010	\$39,617	\$45,007	\$48,340
Married Filing Jointly	Income at Max Credit	\$6,670	\$10,000	\$14,040	\$14,040
	Maximum Credit	\$510	\$3,400	\$5,616	\$6,318
	Phaseout Begins	\$13,930	\$23,930	\$23,930	\$23,930
	Phaseout Ends (Credit Equals Zero)	\$20,600	\$45,207	\$50,597	\$53,930

Source: IRS.