2016 contribution limits and tax reference guide

The tax information provided in this Tax Reference Guide is a high-level summary of certain tax rules. The rules described below are highly complex and exceptions may apply (only certain of which are addressed in this guide). In using this Tax Reference Guide, you should confirm with a tax advisor whether the rules noted below apply to your particular circumstances.

Tax-advantaged accounts: retirement plans

Traditional IRA contribution limits

Under age 50 for entire calendar year	$5,500*
Age 50 and above at any time during calendar year	$6,500**

Phase-out ranges for traditional IRA contribution deductibility

Married, filing jointly and qualifying widow(er)	$98,000 - $118,000 MAGI***
Married, filing separately	$0 - $10,000 MAGI****
Single and head of household	$61,000 - $71,000 MAGI
Spousal IRA, filing jointly, IRA of nonparticipant	$184,000 - $194,000 MAGI

An IRA owner with sufficient taxable compensation can make a fully deductible contribution, regardless of his/her MAGI, if neither he/she nor his/her spouse (if married) is an "active participant" in an employer plan. If one or both are active plan participants, the above deductibility phase-out ranges apply. Full deduction is permitted below phase-out range. Scaled partial deduction is permitted within range. No deduction is permitted above range. IRA owners not eligible for deductible contributions may make nondeductible contributions up to the annual limit. IRA owners age 70½ or older in a calendar year may not make traditional IRA contributions. These annual limits are an aggregate limit, including both Roth and traditional IRA contributions.

* Or 100% of taxable compensation, whichever is less ** Includes $1,000 "catch-up" contribution *** Modified adjusted gross income **** If married, filing separately, but live apart for the entire calendar year, then phase out ranges for single filing status apply.

Roth IRA contribution limits

Under age 50 for entire calendar year	$5,500*
Age 50 and above at any time during calendar year	$6,500**

Phase-out ranges for Roth contribution eligibility

Married, filing jointly and qualifying widow(er)	$184,000 - $194,000 MAGI
Married, filing separately	$0 - $10,000 MAGI
Single and head of household	$117,000 - $132,000 MAGI

Roth conversion income is not included in MAGI. Full contribution is permitted below phase-out range. Scaled partial contribution is permitted within range. No contribution is permitted above range. These annual limits are an aggregate limit, including both Roth and traditional IRA contributions.

* Or 100% of taxable compensation, whichever is less ** Includes $1,000 catch-up contribution

Roth IRA conversions

All filing statuses	No MAGI limit

Defined benefit plan annual benefit limit

- Generally, lesser of $210,000 or 100% of the participant's average compensation for his/her three high consecutive years of active plan participation.

SEP IRA contribution limits

- Discretionary employer contributions of up to the lesser of (i) $53,000 or (ii) 25% of employee compensation or 20% of self-employment net earnings (as determined under the SEP IRA rules).*
- A minimum of $600 in compensation required to participate in SEP.

* A maximum compensation cap of $265,000 per employee applies.

401(k), 403(b)*, 457(b)**, SARSEP*** contribution limits

Maximum salary deferral

Under age 50 for entire calendar year	$18,000****
Age 50 and above at any time during calendar year	$24,000*****

Maximum contributions

- Maximum total contributions per employee are limited to $53,000 or 100% of compensation, and compensation taken into account for retirement plan contributions is capped at $265,000 per employee.
- 401(k) salary deferrals and employer contributions to profit-sharing plans are aggregated for purposes of this limit.

* Employees of certain organizations may be eligible to contribute greater amounts. Additional catch-up contribution rules apply to 403(b) plans. Merrill Lynch is no longer allowing additional contributions to 403(b) plans. ** May be eligible for special contributions in the last three years before normal retirement age in an amount of either (i) double the annual dollar limit or (ii) the annual contribution limit plus any underutilized annual contribution limit from prior years, but catch-up cannot be used during years of special contributions. Merrill Lynch does not offer 457(b) plans. *** SARSEP employee contributions (other than catch-up contributions) are limited to the lesser of $18,000 or 25% of compensation. The employer contribution limit for SEP IRAs and total contribution limit described elsewhere on this page also apply for a SARSEP. **** In Puerto Rico, the maximum 401(k) deferral for plans that are not dual-qualified is generally $15,000. ***** Includes $6,000 catch-up contribution (In Puerto Rico, the 401(k) catch-up contribution limit for plans that are not dual-qualified is generally $1,500). These Puerto Rico amounts are applicable for 2015. Once the Puerto-Rican tax authorities publish the amounts applicable for 2016, this Guide will be updated to reflect them.

Simple IRA salary deferral contributions

Under age 50 for entire calendar year	$12,500
Age 50 and above at any time during calendar year	$15,500*

* Includes $3,000 catch-up contribution

Please see last page for important information.

Tax-advantaged accounts: retirement plans (continued)

Highly compensated employee

- A highly compensated employee is a person who was a 5% owner at any time during the determination year or the preceding year, or for the preceding year received more than $120,000 in compensation from the employer and, if the employer elects, also was in the "top-paid group" (top 20%) of employees for that year.*
- Key employee – officer for top heavy testing: $170,000

* In Puerto Rico, no "top-paid" election is available.

Saver's tax credit*

- Single taxpayers, qualifying widow(ers) and married individuals filing separately with MAGI below $30,750, heads of household with MAGI below $46,125 and joint filers with MAGI below $61,500 may be eligible for a tax credit for their contributions to a traditional or Roth IRA, SIMPLE IRA or SARSEP, elective deferrals under a 401(k), 403(b) or governmental 457(b) plan and voluntary after-tax contributions to certain qualified retirement plans, in addition to any deduction or exclusion that would otherwise apply.

* The saver's tax credit is only available to taxpayers who are age 18 or older and are neither full time students nor claimed as a dependent on another person's return.

Tax-advantaged accounts: education plans

Section 529 College Savings Account

No age or income restrictions for contributors or beneficiaries. Limitation on amount of contributions not subject to federal gift tax.

	Annual Contribution*	Five-Year Contribution Made in a Single Year**
Single	$14,000 per beneficiary	$70,000 per beneficiary
Married couple	$28,000	$140,000

* Contributions are completed gifts subject to the annual federal gift tax exclusion and are removed from the contributor's federal estate. **Contributions between $14,000 and $70,000 ($28,000 and $140,000 for married couples filing jointly) made in one year can be prorated over a five-year period without subjecting you to federal gift tax or reducing your federal unified estate and gift tax credit. If you contribute less than the $70,000 ($140,000 for married couples filing jointly) maximum, additional contributions can be made without you being subject to federal gift tax, up to a prorated level of $14,000 ($28,000 for married couples filing jointly) per year. Federal gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution. For contributions between $14,000 and $70,000 ($28,000 and $140,000 for married couples filing jointly) made in one year, if the account owner dies before the end of the five-year period, a prorated portion of the contribution may be included in his or her gross estate for federal estate tax purposes. Also, any appreciation allocable to the remaining years in the five year period on the entire original gift is not considered part of the estate.

Section 529 plan tax treatment

- Section 529 plan earnings have the potential to grow federal and, in most cases, state income tax-free. Withdrawals, including any earnings, are also federal and, in most cases, state income tax-free as long as the withdrawals are used for qualified higher education expenses. The earnings portion of withdrawals for nonqualified expenses will be subject to federal income tax and potentially a 10% additional federal tax, and may also be subject to state income or other taxes.

Section 529 plan disclosure

- Before you invest in any Section 529 college savings plan, request an official statement and read it carefully. The official statement includes more complete information, including investment objectives, charges, expenses and risks of investing in the plan, which you should consider carefully before investing. You should consider whether your home state or your designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's 529 plan. Section 529 plans are not guaranteed by any state or federal agency.

Coverdell Education Savings Account

Beneficiaries under age 18 and special needs beneficiaries of any age (maximum contribution)	$2,000
Phase-out ranges for Coverdell ESA contribution eligibility	
Single	$95,000 - $110,000 MAGI
Married, filing jointly	$190,000 - $220,000 MAGI

Student loans

Maximum student loan interest deduction limit	$2,500
Phase-out ranges for student loan interest deduction eligibility	
Single and head of household	$65,000 - $80,000 MAGI
Married, filing jointly	$130,000 - $160,000 MAGI*

* Deduction not available if married, filing separately.

Lifetime learning credits*

20% of first $10,000 of qualified tuition and related expenses (max $2,000) per tax return

Phase-out ranges for credit eligibility	
Single and head of household	$55,000 - $65,000 MAGI
Married, filing jointly	$111,000 - $131,000 MAGI

* Credit not available if married, filing separately.

American Opportunity Tax Credit*

100% of first $2,000 of qualified tuition and related expenses; plus 25% of such expenses above $2,000 and up to $4,000 (maximum credit is $2,500) per eligible student

Phase-out ranges for credit eligibility	
Single and head of household	$80,000 - $90,000 MAGI
Married, filing jointly	$160,000 - $180,000 MAGI

* Credit not available if married, filing separately.

Phase-out of exclusion of U.S. savings bond income

By payor of qualified higher education expenses

Phase-out ranges for exclusion eligibility	
Married, filing jointly	$116,300 - $146,300 MAGI
All others	$77,550 - $92,550 MAGI

HSA contribution and plan limits

HSA Limits

The following table shows the minimum annual deductible and maximum annual deductible and other out-of-pocket expenses for high deductible health plans (HDHPs) for 2016, as well as the maximum annual HSA contribution.

	Minimum Deductible	Maximum Out-of-Pocket*	Contribution Limit	55+ Contribution**
Single	$1,300	$6,550	$3,350	$1,000
Family	$2,600	$13,100	$6,750	$1,000

* These limits do not apply to deductibles and expenses for out-of-network services if the plan uses a network of providers. Instead, only deductibles and out-of-pocket expenses for services within the network should be used to figure whether the limits apply. ** Turns age 55 or above at any time during the calendar year.

To be an eligible individual and qualify for an HSA, you must:

- be covered under an HDHP on the first day of the month
- have no other health coverage*
- not be enrolled in Medicare benefits
- not be claimed as a dependent on someone else's tax return

For more detailed information on HSAs and taxes, visit the U.S. Department of Treasury Web site at treasury.gov or talk with your tax advisor.

Please consult with your own attorney or tax advisor to understand the tax and legal consequences of your HSA program offerings to your employees and your particular situation in your capacity as employer and/or plan administrator. * Coverage under certain hospital indemnity and similar limited insurance arrangements and a limited-purpose health care flexible spending arrangement or health reimbursement arrangement is permissible.

Federal tax brackets

Single

Taxable income over	But not over	Tax rate is
0	$9,275	10%
$9,275	$37,650	$927.50 plus 15%*
$37,650	$91,150	$5,183.75 plus 25%*
$91,150	$190,150	$18,558.75 plus 28%*
$190,150	$413,350	$46,278.75 plus 33%*
$413,350	$415,050	$119,934.75 plus 35%*
$415,050		$120,529.75 plus 39.6%*

* of the excess over the taxable income in the far left-hand column.

Head of household

Taxable income over	But not over	Tax rate is
$0	$13,250	10%
$13,250	$50,400	$1,325 plus 15%*
$50,400	$130,150	$6,897.50 plus 25%*
$130,150	$210,800	$26,835 plus 28%*
$210,800	$413,350	$49,417 plus 33%*
$413,350	$441,000	$116,258.50 plus 35%*
$441,000		$125,936 plus 39.6%*

* of the excess over the taxable income in the far left-hand column.

Married, filing jointly and qualifying widow(er)

Taxable income over	But not over	Tax rate is
$0	$18,550	10%
$18,550	$75,300	$1,855 plus 15%*
$75,300	$151,900	$10,367.50 plus 25%*
$151,900	$231,450	$29,517.50 plus 28%*
$231,450	$413,350	$51,791.50 plus 33%*
$413,350	$466,950	$111,818.50 plus 35%*
$466,950		$130,578.50 plus 39.6%*

* of the excess over the taxable income in the far left-hand column.

Married, filing separately

Taxable income over	But not over	Tax rate is
$0	$9,275	10%
$9,275	$37,650	$927.50 plus 15%*
$37,650	$75,950	$5,183.75 plus 25%*
$75,950	$115,725	$14,758.75 plus 28%*
$115,725	$206,675	$25,895.75 plus 33%*
$206,675	$233,475	$55,909.25 plus 35%*
$233,475		$65,289.25 plus 39.6%*

* of the excess over the taxable income in the far left-hand column.

Estates and trusts

Taxable income over	But not over	Tax rate is
$0	$2,550	15%
$2,550	$5,950	$382.50 plus 25%*
$5,950	$9,050	$1,232.50 plus 28%*
$9,050	$12,400	$2,100.50 plus 33%*
$12,400		$3,206 plus 39.6%*

* of the excess over the taxable income in the far left-hand column.

Federal tax brackets (continued)

Long-term capital gains and qualified dividend rates	
The federal income tax rate for long-term capital gains or qualified dividend income is 0% for individuals in the 10% or 15% tax brackets, 15% for individuals in the 25% to 35% tax brackets, and 20% for individuals in the 39.6% bracket. Married individuals filing jointly and qualifying widow(ers) with MAGI above $250,000, married individuals filing separately with MAGI above $125,000 and all other filers with MAGI above $200,000 (the "threshold amounts") are subject to an additional 3.8% Medicare tax imposed on the lesser of (i) "net investment income" and (ii) the excess of MAGI over the applicable threshold amount.	
Gains on collectibles	maximum 28%
Unrecaptured 1250 depreciation	maximum 25%

Gift and estate taxes	
Gift tax annual exclusion	$14,000
Unified estate, gift, and generation-skipping transfer tax exemption	$5.45 million
Annual exclusion for gifts to noncitizen spouse	$148,000
Top gift-tax rate	40%
Top estate-tax rate	40%
Single generation-skipping transfer tax rate	40%

Deductions

Standard deductions	
Married, filing jointly and qualifying widow(er)	$12,600
Single	$6,300
Married, filing separately (assuming spouse does not itemize, otherwise $0)	$6,300
Head of household	$9,300

Exemptions	
Personal and dependent	$4,050
Kiddie tax	$1,050

Phase-out ranges for Personal and Dependent Exemptions	
Married, filing jointly and qualifying widow(er)	$311,300 - $433,800 AGI
Single	$259,400 - $381,900 AGI
Married, filing separately	$155,650 - $216,900 AGI
Head of household	$285,350 - $407,850 AGI

Social Security

Maximum earnings subject to FICA For 2016, the Social Security portion of the employee FICA tax rate is 6.2%.	$118,500

Post-retirement

The amount of Social Security benefit payments (if any) subject to tax depends on the amount of the taxpayer's provisional income (AGI plus one-half of the Social Security benefits plus tax-exempt bond interest plus certain other adjustments).

If provisional income exceeds $32,000 (or $25,000 for single, head of household or married, filing separately if you lived apart from your spouse for the entire year), then the amount of Social Security benefits included in gross income is the lesser of:

- 50% of the Social Security benefits received that year, or
- 50% of the excess of provisional income over $32,000 (or $25,000).

However, if provisional income exceeds $44,000 (or $34,000 for single, head of household or married, filing separately if you lived apart from your spouse for the entire year), then the amount of Social Security benefits included in gross income is the lesser of:

- 85% of the Social Security benefits received that year, or the sum of:
  - – The amount included under the above 50% rule or, if less, one-half of the difference between $44,000 (or $34,000) and $32,000 (or $25,000) and
  - – 85% of the excess of provisional income over $44,000 (or $34,000).*

* If you are married filing separately and live with your spouse, up to 85% of your Social Security benefits are taxable.

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