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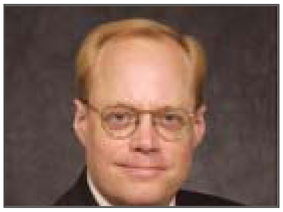

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TAXES | 12/05/2013

Compare 2014 v. 2013 IRS Tax Rates Before It's Too Late

Conventional wisdom says you should accelerate tax deductions and defer income. Thus, paying tax later is usually better than paying now. That means you should delay income into January when you can.

Of course, there are limits. If you have a legal right to payment, the IRS can tax you even if you choose not to receive it. It’s called constructive receipt.

The classic example is a bonus. Say your employer tries to hand it to you at year-end, but you insist you’d rather receive it in January to postpone taxes. Because you had the ***right*** to receive it in December, it is taxable then even though you might not pick it up until January.

Despite the presence of this and other tax doctrines, you can often ameliorate the tax risks. But deciding whether you are better off with 2013 v. 2014 income can itself be imprecise. How can you figure what to buy, receive, pay, settle or deduct before the end of the year?

Get ready to crunch some numbers. Even if the tax system were static, the changes between 2013 and 2014 rates and rules—let alone the economy—make it tough. Add to that the many expiring tax provisions and you’ll find that calculators or software are all but essential.

Tax rates alone don't tell the story. You need to know the inflation adjusted amounts that change every year based on the Consumer Price Index. Here are figures for 2014 next to those for 2013.

Married Filing Jointly (& Surviving Spouse)

Tax Rate	2014 Taxable Income	2013 Taxable Income
10%	$0–$18,150	$0–$17,850
15%	$18,150–$73,800	$17,850–$72,500
25%	$73,800–$148,850	$72,500–$146,400
28%	$148,850–$226,850	$146,400–$223,050
33%	$226,850–$405,100	$223,050–$398,350
35%	$405,100–$457,600	$398,350–$450,000
39.6%	$457,600+	$450,000+

Unmarried Individuals
(Other Than Surviving Spouses and Heads of Households)

Tax Rate	2014 Taxable Income	2013 Taxable Income
10%	$0–$9,075	$0–$8,925
15%	$9,075–$36,900	$8,925–$36,250
25%	$36,900–$89,350	$36,250–$87,850
28%	$89,350–$186,350	$87,850–$183,250
33%	$186,350–$405,100	$183,250–$398,350
35%	$405,100–$406,750	$398,350–$400,000
39.6%	$406,750+	$400,000+

Head of Household

Tax Rate	2014 Taxable Income	2013 Taxable Income
10%	$0–$12,950	$0–$12,750
15%	$12,950–$49,400	$12,750–$48,600
25%	$49,400–$127,550	$48,600–$125,450
28%	$127,550–$206,600	$125,450–$203,150
33%	$206,600–$405,100	$203,150–$398,350
35%	$405,100–$432,200	$398,350–$425,000
39.6%	$432,200+	$425,000+

Married Individuals Filing Separate Returns

Tax Rate	2014 Taxable Income	2013 Taxable Income
10%	$0–$9,075	$0–$8,925
15%	$9,075–$36,900	$8,925–$36,250
25%	$36,900–$74,425	$36,250–$73,200
28%	$74,425–$113,425	$73,200–$111,525
33%	$113,425–$202,550	$111,525–$199,175
35%	$202,550–$228,800	$199,175–$225,000
39.6%	$228,800	$225,000+

Standard Deduction Amounts

Filing Status	2014	2013	Increase
Married Filing Jointly (& Surviving Spouse)	$12,400	$12,200	$200
Married Filing Separately	$6,200	$6,100	$100
Single	$6,200	$6,100	$100
Head of Household	$9,100	$8,950	$150

Personal Exemption Phase-out and Pease. PEP (personal exemption phase-out) and Pease increase taxable income for high-income earners. PEP is the phase out of the personal exemption. Pease (named after former Senator Donald Pease) reduces the value of most itemized deductions once a taxpayer's adjusted gross income reaches a certain level. The income threshold for both PEP and Pease will be $254,200 for single filers and $305,050 for married filers (Tables 3 & 4). PEP will end at $376,700 for singles and $427,550 for couples filing jointly, meaning these taxpayers will no longer have a personal exemption.

Table 3. 2014 Pease Limitations on Itemized Deductions

Filing Status	Income Threshold
Single	$254,200
Married Filing Jointly	$305,050
Head of Household	$279,650

Table 4. Personal Exemption Phase-out

Filing Status	Phase out Begin	Phase out Complete
Single	$254,200	$376,700
Married Filing Jointly	$305,050	$427,550
Head of Household	$279,650	$402,150

Alternative Minimum Tax. Since it was enacted in the 1960s, the Alternative Minimum Tax (AMT) was never adjusted for inflation until January 2, 2013. Congress finally indexed the AMT income thresholds to inflation in the American Taxpayer Relief Act of 2012, preventing the need for an annual patch. The AMT exemption amount for 2014 is $52,800 for singles and $82,100 for married couple filing jointly (Table 5).

Table 5. 2014 Alternative Minimum Tax

Filing Status	Exemption Amount
Single	$52,800
Married Filing Jointly	$82,100
Married Filing Separately	$41,050

Every year end should involve planning. Not only do you have the question of tax rates, exemptions, AMT, and more, you have the deduction side of the equation too. Of course, there will be some unknowns, both about your own income and transactions, and about what Congress will do during 2014. Run some numbers, plan ahead, and try to choose wisely.

You can reach me at Wood@WoodLLP.com. *This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*