2017 NEW TAX LAW BOOKLET UPDATE

MARCH 2017

SUMMARY FOR 2017 NEW TAX LAW

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LEARNING OBJECTIVES

- Learn about the changes in standard deductions, personal exemptions, phase-out amounts, credit levels for 2017.

- Learn about other changes for 2017.

- Which tax benefits are expiring and which tax benefits have been made permanent.

- What’s new and the status of the Affordable Health Care Act.

NEW LAWS FOR FEDERAL TAX RETURNS FOR 2017

The following tax law changes affect 2017 Federal income tax returns and in some cases other year returns ***prepared*** in 2017. Any changes in ***other year's*** returns will be noted.

Standard Deduction. The following amounts represent the increased amounts of the standard deduction for the various filing statuses for 2017 tax returns.

• Single	$6,350
• Married Filing Separate	$6,350
• Married Filing Joint and Surviving Spouse	$12,700
• Head of Household	$9,350

The following are ***additional*** amounts for blind and/or elderly taxpayers (Age 65 or over). These amounts have remained unchanged in 2017 from the 2016 amounts.

• Single and Head of Household	
Blind ***or*** Elderly	$1,550
Blind ***and*** Elderly	$3,100
• Married Filing Joint	
• Married Filing Separate	
• Surviving Spouse	
Blind ***or*** Elderly (per taxpayer)	$1,250
Blind ***and*** Elderly (per taxpayer)	$2,500

Personal Exemption. The personal exemption amount for 2017 returns is $4,050 per deduction. The deduction phase-outs and reductions for personal exemptions that were eliminated for 2012 returns were reinstated for 2013. The AGI phase-out ranges for 2017 are as follows.

• Single	$261,500 - $384,000
• Married Filing Joint	$313,800 - $436,300
• Surviving Spouse	$313,800 - $436,300
• Head of Household	$287,650 - $410,150
• Married Filing Separate	$156,900 - $218,150

<u>Itemized Deductions.</u> The itemized deduction phase-out based on the taxpayer's AGI was reinstated for 2013 tax returns. The AGI phase-out for 2017 begins as follows.

• Single	$261,500
• Married Filing Joint	$313,800
• Surviving Spouse	$313,800
• Head of Household	$287,650
• Married Filing Separate	$156,900

Also, the threshold for unreimbursed medical expenses has increased from 7.5% to 10% of the taxpayer's AGI for 2013 tax returns and after. The lone exception to this rule is if the taxpayer turns 65 before the end of the tax year then the threshold is 7.5%. This provision will expire after the 2017 tax year.

<u>Tax Bracket Thresholds.</u> Tax bracket thresholds increase for each filing status for 2017. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent from the 25-percent bracket is $75,901 in 2017, up from $75,301 in 2016.

2017 Tax Rate Schedules

Schedule X – Use if your **2017** filing status is **Single**

Single Income	But not over	The tax is	of the amount over
$0	$9,325	10%	$0
$9,326	$37,950	$932.50 + 15%	$9,325
$37,951	$91,900	$5226.25 + 25%	$37,950
$91,901	$191,650	$18,713.75 + 28%	$91,900
$191,651	$416,700	$46,643.75 + 33%	$191,650
$416,701	$418,400	$120,910.25 + 35%	$416,700
$418,401		$121,505.25 + 39.6%	$418,400

Schedule Y-1 – Use if your **2017** filing status is **Married Filing Jointly** or **Qualifying Widow(er)**

MFJ or **QW** Income	But not over	The tax is	of the amount over
$0	$18,650	10%	$0
$18,651	$75,900	$1,865.00 + 15%	$18,650
$75,901	$153,100	$10,452.50 + 25%	$75,900
$153,101	$233,350	$29,752.50 + 28%	$153,100
$233,351	$416,700	$52,222.50 + 33%	$233,350
$416,701	$470,700	$112,728.00 + 35%	$416,700
$470,701		$131,628.00 + 39.6%	$470,700

Schedule Y-2 – Use if your **2017** filing status is **Married Filing Separately**

MFS Income	But not over	The tax is	of the amount over
$0	$9,325	10%	$0
$9,326	$37,950	$932.50 + 15%	$9,325
$37,951	$76,550	$5,226.25 + 25%	$37,950
$76,551	$116,675	$14,876.25 + 28%	$76,550
$116,676	$208,350	$26,111.25 + 33%	$116,675
$208,351	$235,350	$56,364.00 + 35%	$208,350
$235,351		$65,814.00 + 39.6%	$235,350

Schedule Z – Use if your **2017** filing status is **Head of Household**

HH income	But not over	The tax is	of the amount over
$0	$13,350	10%	$0
$13,351	$50,800	$1,335.00 + 15%	$13,350
$50,801	$131,200	$6,952.50 + 25%	$50,800
$131,201	$212,500	$27,052.50 + 28%	$131,200
$212,501	$416,700	$49,816.50 + 33%	$212,500
$416,701	$444,550	$117,202.50 + 35%	$416,700
$444,551		$126,950.00 + 39.6%	$444,550

Long-Term Capital Gain and Qualified Dividend Tax Rates. The tax rates changed slightly in 2013 and after for long-term capital gains and qualified dividends. The changes are stated below.

Ordinary Tax Rate	**2008 to 2012** Capital Gain and Qualified Dividend Rate	**2013 And After** Capital Gain and Qualified Dividend Rate
39.6%	n/a	20%
35%	15%	15%
33%	15%	15%
28%	15%	15%
25%	15%	15%
15%	0%	0%
10%	0%	0%

Standard Mileage Rates. The deductible amounts for the use of your car are as follows:

- The deductible amounts for the use of your car for business purposes was 54 cents per mile for 2016. In 2017 it will be 53.5 cents per mile.

- The deductible amounts for the use of your car for qualified medical or moving expenses was 19 cents per mile for 2016. In 2017 it will be 17 cents per mile.

- The deductible amount for the use of your car for qualified charitable causes remains at 14¢ per mile, the same amount as in the previous several years. The reason is the amount is set by statute and can only be changed by Congressional action and Presidential signature. The other mileage rates are subject to IRS discretion.

- The deductible amount for depreciation purposes was 24 cents per mile in 2016. For 2017 it will be 25 cents per mile.

Earned Income Tax Credit. The following chart includes the maximum income limit and the maximum allowable credit for 2017:

• Single Filers	Maximum Credit	Income Limit
No Children	$510	$15,010
One Child	$3,400	$39,617
Two Children	$5,616	$45,007
Three Children	$6,318	$48,340
• Joint Filers		
No Children	$510	$20,600
One Child	$3,400	$45,207
Two Children	$5,616	$50,597
Three Children	$6,318	$53,930

The maximum investment income you can have and receive the credit is $3,400 for 2016. In 2017 it will increase to $3,450.

Alternative Income Tax (AMT). For 2016 the AMT exemption amount was as follows:

- For Single or Head of Household returns $53,900
- For Married Filing Joint returns $83,800
- For Married Filing Separate returns $41,900

For 2017 returns, the AMT exemption amounts have ***increased*** as follows:

• For Single or Head of Household returns	$54,300
• For Married Filing Joint returns	$84,500
• For Married Filing Separate returns	$42,250

Many situations may trigger the AMT. Following is a list of the most common ones:

- Large deductions on Schedule A for taxes (including deductions for state income taxes) or miscellaneous deductions.

- A larger than average number of dependents.

- Large gross income in relation to taxable income.

- The exercise of incentive stock options.

- Tax exempt interest.

- Long-term capital gains.

Section 179 expense limits. For 2016, the basic section 179 dollar limit was $500,000. For 2017, it will increase to $510,000.

The SUV limit remains the same at $25,000 for 2017.

The section 179 phase-out for 2016 was $2,010,000. For 2017, the phase-out limit will increase to $2,030,000.

Retirement Savings Contribution Limit. For 2016, the retirement savings contribution limit (maximum AGI) in order to receive a tax credit was as follows:

• For Single returns	$30,750
• For Married Filing Joint returns	$61,500
• For Head of Household returns	$46,125

For 2017 returns, the limit has been ***increased*** as follows:

• For Single returns	$31,000
• For Married Filing Joint returns	$62,000
• For Head of Household returns	$46,500

Lifetime Learning Credit Income Limits. The income phase-out range for 2016 was as follows:

- For Single returns $55,000 - $65,000
- For Married Filing Joint returns $111,000 - $131,000
- For Head of Household returns $55,000 - $65,000

For 2017 returns, the income phase-out range has ***increased to***:

- For Single returns $56,000 - $66,000
- For Married Filing Joint returns $112,000 - $132,000
- For Head of Household returns $56,000 - $66,000

The maximum Lifetime learning credit ***remains*** at 20% of the first $10,000 of qualified expenses.

American Opportunity Credit/Hope Credit. The income phase-out range for 2017 is the same as 2016. Here are the amounts:

- For Single returns $80,000 - $90,000
- For Married Filing Joint returns $160,000 - $180,000
- For Head of Household returns $80,000 - $90,000

The maximum American Opportunity Credit/Hope Credit is $2,500.

Foreign Earned Income Exclusion. The foreign income exclusion from U.S. income taxes was $101,300 in 2016. For 2017 it has been ***increased*** to $102,100.

Note: The exclusion amount applies to worldwide earned income as it applies to U.S. citizens and resident aliens. It includes worldwide earned income whether the taxpayer is living in the United States or living abroad.

Income Limits for Excluding U.S. Savings Bond Interest. The exemption phase-out range for interest on United States Savings Bond interest for 2016 was as follows:

- For Single returns $77,550 - $92,550
- For Married Filing Joint returns $116,300 - $146,300
- For Head of Household returns $77,550 - $92,550

The phase-out range for 2017 returns has been ***increased*** to the following amounts:

- For Single returns $78,150 - $93,150
- For Married Filing Joint returns $117,250 - $147,250
- For Head of Household returns $78,150 - $93,150

Adoption Credit or Exclusion. The maximum adoption credit or exclusion for employer–provided adoption benefits for 2016 was $13,460.

For 2017 returns the maximum credit or exclusion has been ***increased*** to $13,570.

The MAGI (Modified Adjusted Gross Income) income phase-out limit for 2016 was from $201,920 to $241,920.

For 2017 returns the MAGI income phase-out limit has been ***increased*** from $203,540 to $243,540.

For 2011 returns and thereafter, the credit is ***not*** refundable. However, any unused credit is carried forward to the next five years or until it is used, whichever comes first.

Student Loan Interest Deduction. The phase-out range for income for student loan interest for 2016 is as follows:

- For Single returns $65,000 - $80,000
- For Married Filing Joint returns $130,000 - $160,000
- For Head of Household returns $65,000 - $80,000

For 2017 returns the phase-out range ***has increased as follows:***

- For Single returns $65,000 - $80,000
- For Married Filing Joint returns $135,000 - $165,000
- For Head of Household returns $65,000 - $80,000

The maximum student loan deduction for 2016 was $2,500. The maximum deduction for 2017 tax returns ***remains the same at*** $2,500.

Qualified Parking Benefits. The exclusion of benefits for qualified parking provided by an employer to its employees was $255/month for 2016 tax returns.

For 2017 returns, the exclusion remains the same at $255/month***.***

Commuter Highway Vehicle and Transit Pass Benefits. The monthly limit on the exclusion of benefits on qualified transportation in a commuter highway vehicle and transit pass provided by an employer to its employees for 2016 was $255/month.

For 2017 returns, the monthly amount ***remains the same at*** $255/month.

Social Security Taxes. In 2012 social security was withheld from an employee's wages at the rate of 4.2% (down from 6.2%) up to the social security limit of $110,100. There is no change in the Medicare withholding. In 2013 the rate was restored to 6.2% and the wage limit was $113,700. In 2016 the rate remains the same at 6.2% and the wage limit has ***increased*** to $118,500. For 2017, the rate remains the same as 2016 and the wage limit has ***increased*** to $127,200.

In 2012 the same decrease applies to net earnings from self-employment – the rate will be 10.4% (down from 12.4%) up to the social security wage limit of $110,100. In 2013 the rate reverts back to 12.4% with a wage limit of $113,700. In 2016, the rate remains the same at 12.4% with the net earnings limit ***increased*** to $118,500. For 2017, the rate remains the same as 2016 but the net earnings limit has increased again to 127,200.

Also there is a Social Security benefits (cola) increase of a whopping .3%

Expiring Tax Benefits. The following benefits were scheduled to expire for 2012 tax returns prior to the American Taxpayer Relief Act enacted by congress in January of 2013. The new status for these will be listed below.

The Path Act of December 2015 has made some of the following provisions that have been on the chopping block for the past couple of years permanent. Some of the provisions not listed but made permanent were the child tax credit, the American opportunity tax credit and the earned income tax credit.

- Personal tax credits allowed against regular tax and alternative minimum tax. No expiration.
- Work opportunity tax credit. Expires after 2019.
- Deduction for state and local general sales tax. Made permanent by the Path Act of 2015.
- Deduction for qualified tuition and related expenses expire. Expires after 2016.
- Deduction for educator expenses. Made permanent by the Path Act of 2015.
- Nonbusiness energy credits. Expires after 2016.
- Cancellation of qualified principal residence indebtness exclusion from gross income. Expires after 2016.
- Mortgage insurance premiums treated as qualified residence interest. Expires after 2016.

Estate and Gift Taxes. For an estate of any decedent dying during calendar year 2017, the basic exclusion from estate tax amount is $5,490,000, compared to $5,450,000 for 2016.

The annual exclusion for gift taxes remains at $14,000 for 2017.

Domestic and Same-Sex Partners. The Internal Revenue Service has issued guidelines for registered domestic partners(RDP) domiciled in community property states. Under IRS rules, registered domestic partners living in California, Washington, or Nevada generally must follow state community property rules. RDPs are not married for federal tax purposes. They would either file as single, or if they qualify, head of household status.

Same-sex couples are treated as married for all federal tax purposes. They would file either as married filing joint or married filing separate.

The other community property states are:

- Arizona
- Idaho
- Louisiana
- New Mexico
- Texas
- Wisconsin

Long–Term Care Premiums. The limitations on long-term care premiums for 2016 based on attained age before the close of the taxable year for 2016 were as follows:

• 40 or less	$390
• More than 40 but not more than 50	$730
• More than 50 but not more than 60	$1,460
• More than 60 but not more than 70	$3,900
• More than 70	$4,870

The per diem limit for 2016 was $340.

For 2017 returns, the limitations are as follows:

• 40 or less	$410
• more than 40 but less than 50	$770
• more than 50 but less than 60	$1,530
• more than 60 but less than 70	$4,090
• More than 70	$5,110

The per diem limit for 2017 is $360.

Medical Savings Accounts – Self-Only Coverage. For the taxable year 2016, the term "High Deductible Health Plan" means a health plan that had an annual deductible that was not less than $2,250 and not more than $3,350 and under which the annual out-of-pocket expenses required to be paid for covered benefits do not exceed $4,450.

For 2017, the annual deductible premium must not be less than $2,250 and not more than $3,350 and under which the annual out-of-pocket expenses required to be paid for covered benefits do not exceed $4,500.

For ***family coverage*** in taxable year 2016, the annual deductible must not have been less than $4,450 and not more than $6,700 with required out-of-pocket expenses not more than $8,150.

For 2017 returns, the annual deductible premium must not be less than $4,500 and not more than $6,750 with the required annual out-of-pocket expenses to be paid must not exceed $8,250.

Simplified Optional Home Office Deduction. Taxpayers who have home-based businesses may use the simplified home office deduction beginning with 2013 tax returns. The new deduction is capped at $1,500 per year based on $5 a square foot for up to 300 square feet. The $5 per square foot is allowed regardless of actual costs. Taxpayers using this method will not be able to depreciate the portion of the home they use for their business like they could if they filed Form 8829.

AFFORDABLE HEALTH CARE ACT*

*At the time of this writing, the status of the Affordable Health Care Act aka ACA was on shaky ground. President Trump wanted to repeal the ACA but the republican plan to replace the ACA was not going to have enough votes to pass the house so their plan was dropped. It's possible there may be modifications made to the ACA as well.

Health Insurance. The Health Care act requires that all individuals must have health care insurance by 2014 or pay a penalty tax on their individual income tax return. The exceptions to this would be individuals whose income is below the minimum filing requirement, coverage that is unaffordable, or if the individual suffered a hardship making him or her unable to secure insurance.

The penalty for not having health insurance is as follows:

Year	The penalty is the greater of:	Or the following percent of excess household income over the filing threshold amount:
2014	$95	1.0%
2015	$325	2.0%
2016 and after	$695	2.5%

Plan Levels. The Health Care Act requires that all new policies, including plans sold on an exchange (except stand-alone dental, vision, and long term-care plans) to comply with one of the four benefit categories that provide for certain levels of benefits at the following actuarial levels.

- Bronze Plan 60%
- Silver Plan 70%
- Gold Plan 80%
- Platinum Plan 90%

Additional Medicare Tax. Beginning in 2013, individuals will pay an additional 0.9% Medicare Hospital Insurance (HI) tax of earned income that exceeds a threshold amount. The tax affects the employee's portion of FICA but it does affect the employer's share. A married filing joint return the tax is applied to the total earned income of the taxpayer and spouse. The Additional Medicare Tax amount would appear on form 8959. The threshold amounts are as follows:

- $250,000 for MFJ returns
- $125,000 for MFS returns
- $200,000 for Single, Head of Household and Qualifying Widow

Net Investment Income Tax. Beginning in 2013, individuals will have a Net Investment Income Tax imposed on them at a rate equal to 3.8% of the lesser of the net investment income or the excess of modified adjusted gross income (MAGI) over the threshold amount. The Net Investment Income Tax amount would appear on form 8960. The threshold amounts are as follows:

- $250,000 for MFJ, QW returns
- $125,000 for MFS returns
- $200,000 for Single, Head of Household returns

For estates and trusts the Net Investment Income Tax is imposed on them equal to 3.8% of undistributed net investment income or the excess of adjusted gross income over the dollar amount at which the highest estate and trust income tax bracket begins. In 2016 that amount was $12,401 and in 2017 it will be $12,501.

Net Investment income is composed of three categories:

1. Gross income from interest, dividends, annuities, royalties, and rents, less allocable deductions, unless the income is derived from the ordinary course of a trade or business that is not a passive activity.
2. Business or trade income from a passive activity.
3. Net gains attributable to the disposition of property other than property that is held in a trade or business.

Income from a trade or business that trades financial instruments or commodities is subject to the Net Investment Income Tax despite its passive activity status.

Examples of items that would not be considered net investment income:

1. Any income subject to self-employment tax.
2. Income excluded from taxable income under regular tax rules.
3. Distributions from a qualified retirement plan.

Premium Tax Credit. Starting in 2014 a taxpayer who buys health insurance through a state exchange may be eligible for a premium tax credit. The credit is available for individuals with household incomes of at least 100% but not more than 400% of the federal poverty line for a family of the size involved who do not receive health insurance through an employer or spouse's employer. Married Filing Separate filers and individuals who are listed as dependents are ineligible for the credit. Also ineligible are incarcerated individuals and individuals who are not legally present in the United States.

If you are eligible for the credit you can get in one of two ways.

1. You can wait until your tax return is filed to receive the credit.

2. Or you can receive the credit as a way to lower your monthly premium by having some or all of the estimated credit paid directly to the insurance company. When you file your return you will subtract the amount of the advanced payments from the amount of the actual premium tax credit calculated on the return.

2017 Federal Poverty Level (FPL)

Size of family	FPL for 48 Contiguous States and District of Columbia	FPL for Alaska	FPL for Hawaii
1	$11,880	$14,840	$13,670
2	$16,020	$20,020	$18,430
3	$20,160	$25,200	$23,190
4	$24,300	$30,380	$27,950
5	$28,440	$35,560	$32,710
6	$32,580	$40,740	$35,470
7	$36,730	$45,920	$42,230
8	$40,890	$51,120	$47,010
More than 8	Add $4,160 per extra person	Add $5,200 per extra person	Add $4,780 per extra person

How the Premium Tax Credit is Determined. The tax credits are based on a sliding scale ranging from 2% to 9.56%. The two factors involved are the household income relative to the federal poverty level and the percentage of income the cost of the premium represents. The credit amount is tied to the second lowest-cost tier plan, "silver plan", otherwise known as the benchmark plan.

> **<u>Example.</u>** Hal wants to purchase health insurance on his state exchange. The four silver plans that he could purchase have yearly premiums of $4,000, $4,400, $4,800, and $5,200. The benchmark plan would cost Hal $4,400. Hal could buy any one of the four plans but for purposes of calculating the premium tax credit the $4,400 would be used.

Household income as a percentage of the Federal Poverty Level	Initial Premium	Final Premium
100%-133%	2.01%	2.01%
133%-150%	3.02%	4.02%
150%-200%	4.02%	6.34%
200%-250%	6.34%	8.10%
250%-300%	8.10%	9.56%
300%-400%	9.56%	9.56%

> **<u>Example 1.</u>** Bob Watson purchases health insurance which is a benchmark plan (silver), and paid premiums of $9,000 for the year. He has three sons and his household income is $74,115. His income is 305% of the federal poverty level according to the chart on page 13. The premium tax credit would be calculated as follows:
>
> Household income: $74,115
> Contribution %: <u>9.56%</u>
> Expected Contribution: $7,085
>
> Benchmark premium: $9,000
> Expected Contribution: <u>$7,085</u>
> Premium Tax Credit: $1,915

Bob's premium tax credit would be $1,915. He would be expected to make insurance payments of $6,955 during the year.

Bob is not required to buy the benchmark plan. He is required to maintain minimum essential coverage which means he could purchase a bronze plan. When Bob purchases a plan other than the benchmark plan, the actual contribution could be higher or lower but the calculation of the premium tax credit does not change because that is tied to benchmark plan (silver). The following example will illustrate this.

Example 2. Same data as above except Bob purchases a bronze plan with premiums of $8,000. The calculation of the premium tax credit does not change along with the expected contribution but the actual contribution will be reduced.

Actual Premium:	$8,000
Premium Tax Credit:	$1,915
Actual Contribution:	$6,085

REVIEW QUESTIONS

1. For tax year 2017 Joe had a capital gain of $20,000. Joe is in the 28% tax bracket. How much tax does Joe have to pay on his capital gain?

   A. $4,000
   B. $3,000
   C. $2,000
   D. $0

2. There are many situations that could trigger Alternative Minimum Tax (AMT). Which one of the following is ***incorrect*** in this regard?

   A. Tax exempt interest
   B. Large gross income in comparison to taxable income
   C. Short-term capital gains
   D. Large deduction on Schedule A for taxes

3. Kelly, a head of household filer, paid for college tuition for her daughter Shannon. What would her modified AGI have to be to be eligible for the Lifetime Learning Credit in 2017?

   A. $100,000
   B. $80,000
   C. $70,000
   D. $50,000

4. In 2016 the foreign earned income exclusion was $100,800. What is it for 2017?

   A. $100,800
   B. $101,300
   C. $101,800
   D. $102,100

5. Which one of the following tax provisions will ***not*** expire after 2017?

   A. Work opportunity tax credit
   B. Nonbusiness energy credit
   C. Mortgage insurance premiums treated as qualified residence interest
   D. Deduction for tuition and expenses

6. Frank did not have health insurance for 2017. Assuming he does not qualify for an exemption what would his penalty be?

   A. The greater of $95 or 1.0% of excess household income over the filing threshold.
   B. The greater of $325 or 2.0% of excess household income over the filing threshold.
   C. The greater of $695 or 2.0% of excess household income over the filing threshold.
   D. The greater of $695 or 2.5% of excess household income over the filing threshold.

RESPONSES TO REVIEW QUESTIONS

1. For tax year 2017 Joe had a capital gain of $20,000. Joe is in the 28% tax bracket. How much tax does Joe have to pay on his capital gain?

    A. Incorrect. This would be the answer if he was in the 39.6% tax bracket but Joe was in the 28% bracket where the capital gain rate is 15%
    B. Correct. $20,000 X 15% = $3,000
    C. Incorrect. See B above
    D. Incorrect. See B above. This would be the correct answer if he was in the 10% or 15% bracket.

2. There are many situations that could trigger Alternative Minimum Tax (AMT). Which one of the following is ***incorrect*** in this regard?

    A. Incorrect. Tax-exempt interest is one of the elements that triggers AMT.
    B. Incorrect. When taxable income is low in comparison to gross income this will trigger the AMT.
    C. Correct. Short-term capital gains will ***not*** trigger AMT. However, long-term capital gains will trigger AMT.
    D. Incorrect. When you have a large percentage of deductions for taxes on Schedule A this will trigger AMT.

3. Kelly, a single filer, paid for college tuition for her daughter Shannon. What would her modified AGI have to be to be eligible for the Lifetime Learning Credit in 2017?

    A. Incorrect. Lifetime learning credit is totally phased out when modified AGI (MAGI) is over $65,000 in 2017.
    B. Incorrect. See A above. The phase-out range for the lifetime learning credit for single filers in 2016 is $55,000 - $65,000.
    C. Incorrect. See A and B above.
    D. Correct. Kelly will be entitled to the lifetime learning credit if her MAGI is $50,000.

4. In 2017 the foreign earned income exclusion was $100,800. What is it for 2016?

    A. Incorrect. That was the foreign earned income exclusion for 2015, not 2017.
    B. Incorrect. $101,300 was the foreign earned income exclusion for US income taxes in 2016.
    C. Incorrect. See D below.
    D. Correct. $102,100 is the foreign earned income exclusion for US income taxes in 2017.

5. Which one of the following tax provisions will ***not*** expire after 2017?

A. Correct. The work opportunity credit expires after 2019, ***not*** 2016.
B. Incorrect. The nonbusiness energy credit is scheduled to expire after 2016.
C. Incorrect. Mortgage insurance premiums that are deductible as interest is scheduled to expire after 2016.
D. Incorrect. The deduction for qualified tuition and related expenses is due to expire after 2016.

6. Frank did not have health insurance for 2017. Assuming he does not qualify for an exemption what would his penalty be?

A. Incorrect. This was the penalty for 2014, ***not*** 2017.
B. Incorrect. This was the penalty for 2015, ***not*** 2017.
C. Incorrect. This would be correct answer if the percentage was 2.5%.
D. Correct. This is the correct answer for tax year 2016 and after.