

# 2015 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 an actual 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. Rather than directly adjusting last year’s values for annual inflation, each provision is adjusted from a specified base year. For more information, see the methodology, below.

## Estimated Income Tax Brackets and Rates

In 2015, the income limits for all brackets and all filers will be adjusted for inflation and will be as seen in Table 1. The top marginal income tax rate of 39.6 percent will hit taxpayers with adjusted gross income of \$413,200 and higher for single filers and \$464,850 and higher for married filers.

**Table 1. 2015 Taxable Income Brackets and Rates (Estimate)**

Rate	Single Filers	Married Joint Filers	Head of Household Filers
10%	\$0 to \$9,225	\$0 to \$18,450	\$0 to \$13,150
15%	\$9,225 to \$37,450	\$18,450 to \$74,900	\$13,150 to \$50,200
25%	\$37,450 to \$90,750	\$74,900 to \$151,200	\$50,200 to \$129,600
28%	\$90,750 to \$189,300	\$151,200 to \$230,450	\$129,600 to \$209,850
33%	\$189,300 to \$411,500	\$230,450 to \$411,500	\$209,850 to \$411,500
35%	\$411,500 to \$413,200	\$411,500 to \$464,850	\$411,500 to \$432,200
39.6%	\$413,200+	\$464,850+	\$439,000+

Source: Author’s calculations.

## Standard Deduction and Personal Exemption

The standard deduction will increase by \$100 from \$6,200 to \$6,300 for singles (Table 2). For married couples filing jointly, it will increase by \$200 from \$12,400 to \$12,600.

The personal exemption for 2015 be \$4,000.

**Table 2. 2015 Standard Deduction and Personal Exemption (Estimate)**

Filing Status	Deduction Amount
Single	\$6,300.00
Married Filing Jointly	\$12,600.00
Head of Household	\$9,250.00
Personal Exemption	\$ 4,000.00

Source: Author's calculations.

## 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) reduces the value of most itemized deductions once a taxpayer's adjusted gross income reaches a certain point.

The income threshold for both PEP and Pease will be \$258,250 for single filers and \$309,900 for married filers (Tables 3 and 4). The PEP phaseout will end at \$380,750 for singles and \$432,400 for couples filing jointly, meaning these taxpayers will no longer have a personal exemption.

**Table 3. 2014 Pease Limitations on Itemized Deductions (Estimate)**

Filing Status	Income
Single	\$258,250.00
Married Filing Jointly	\$309,900.00
Head of Household	\$284,050.00

Source: Author's Calculations

**Table 4. 2015 Personal Exemption Phaseout (Estimate)**

Filing Status	Phaseout Begin	Phaseout Complete
Single	\$258,250.00	\$380,750.00
Married Filing Jointly	\$309,900.00	\$432,400.00
Head of Household	\$284,050.00	\$406,550.00

Source: Author's calculations.

## Alternative Minimum Tax

Since its creation in the 1960s, the Alternative Minimum Tax (AMT) has not been adjusted for inflation. Thus, Congress was forced to “patch” the AMT by raising the exemption amount to prevent middle class taxpayers from being hit by the tax as a result of inflation.

On January 2, 2013, the American Taxpayer Relief Act of 2012 indexed the income thresholds to inflation, preventing the necessity for an annual patch.

The AMT exemption amount for 2015 is \$53,600 for singles and \$83,400 for married couple filing jointly (Table 5).

**Table 5. 2015 Alternative Minimum Tax Exemptions (Estimate)**

Filing Status	Exemption Amount
Single	\$53,600.00
Married Filing Jointly	\$83,400.00
Married Filing Separately	\$41,700.00

Source: Author's calculations.

## Earned Income Tax Credit

2015's maximum Earned Income Tax Credit for singles, heads of households, and joint filers is \$503 if the filer has no children (Table 6). For one child the credit is \$3,359, two children is \$5,548, and three or more children is \$6,242.

**Table 6. 2015 Earned Income Tax Credit Parameters (Estimate)**

Filing Status		No Children	One Child	Two Children	Three or More Children
<b>Single or Head of Household</b>	Income at Max Credit	\$6,580	\$9,880	\$13,870	\$13,870
	Maximum Credit	\$503	\$3,359	\$5,548	\$6,242
	Phaseout Begins	\$8,240	\$18,110	\$18,110	\$18,110
	Phaseout Ends (Credit Equals Zero)	\$14,820	\$39,131	\$44,454	\$47,747
<b>Married Filing Jointly</b>	Income at Max Credit	\$6,580	\$9,880	\$13,870	\$13,870
	Maximum Credit	\$503	\$3,359	\$5,548	\$6,242
	Phaseout Begins	\$13,760	\$23,630	\$23,630	\$23,630
	Phaseout Ends (Credit Equals Zero)	\$20,340	\$44,651	\$49,974	\$53,267

Source: Author's calculations.

## Methodology

Each tax parameter is adjusted for inflation by taking its base value (from legislation) and multiplying it by the current fiscal year's average Consumer Price Index (CPI) and then dividing that by the base fiscal year's CPI.

Each parameter is rounded to either the nearest \$10, \$25, or \$100 (depending on the specified rounding method in the legislation).

For example, the base value for the top of the 10 percent tax bracket for singles is \$7,000. This number is multiplied by the average CPI for fiscal year 2014 (235.69) and then divided by the average CPI for fiscal year 2002 (178.68):  $\$7,000 * (235.69/178.68) = \$9,233$ . This value is then rounded down to the nearest \$25 to yield 2015's 10 percent tax bracket of \$9,225.

**Table 7. Tax Parameters, Base Years, and Base Values**

Base Year	Parameter	Base Value (Single; HoH; Married)	Rounding Convention
1987	Standard Deduction	\$3,000; \$4,400; \$6,000	Down to nearest \$50
1988	Personal Exemption	\$2,000	Down to nearest \$50
1992	15% Bracket	\$22,100; \$29,600; \$44,200	Down to nearest \$50
	25% Bracket	\$53,500; \$76,400; \$89,150	Down to nearest \$50
1993	28% Bracket	\$115,000; \$127,500; \$140,000	Down to nearest \$50
	33% Bracket	\$250,000; \$250,000; \$250,000	Down to nearest \$50
1995	EITC	See Table 8, below	Nearest \$1
2002	10% Bracket	\$7,000; \$10,000; \$14,000	Down to nearest \$25
2008	EITC Marriage Penalty Fix	\$5,000	Nearest \$10
2011	AMT	\$50,600, N/A, \$78,750	Nearest \$100
2012	35% Bracket	\$400,000; \$425,000; \$450,000	Down to nearest \$50
	PEP	\$250,000; \$275,000; \$300,000	Down to nearest \$50
	Pease	\$250,000; \$275,000; \$300,000	Down to nearest \$50

Note: Bracket values are the tops of each bracket.

**Table 8. EITC Base Parameters**

	No Children	One Child	Two Children	Three or More Children
Credit Rate	7.65%	34%	40%	40%
Phaseout Rate	7.65%	15.98%	21.06%	21.06%
Income, Max Credit	\$4,220	\$6,330	\$8,890	\$8,890
Income, Phaseout	\$5,280	\$11,610	\$11,610	\$11,610

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