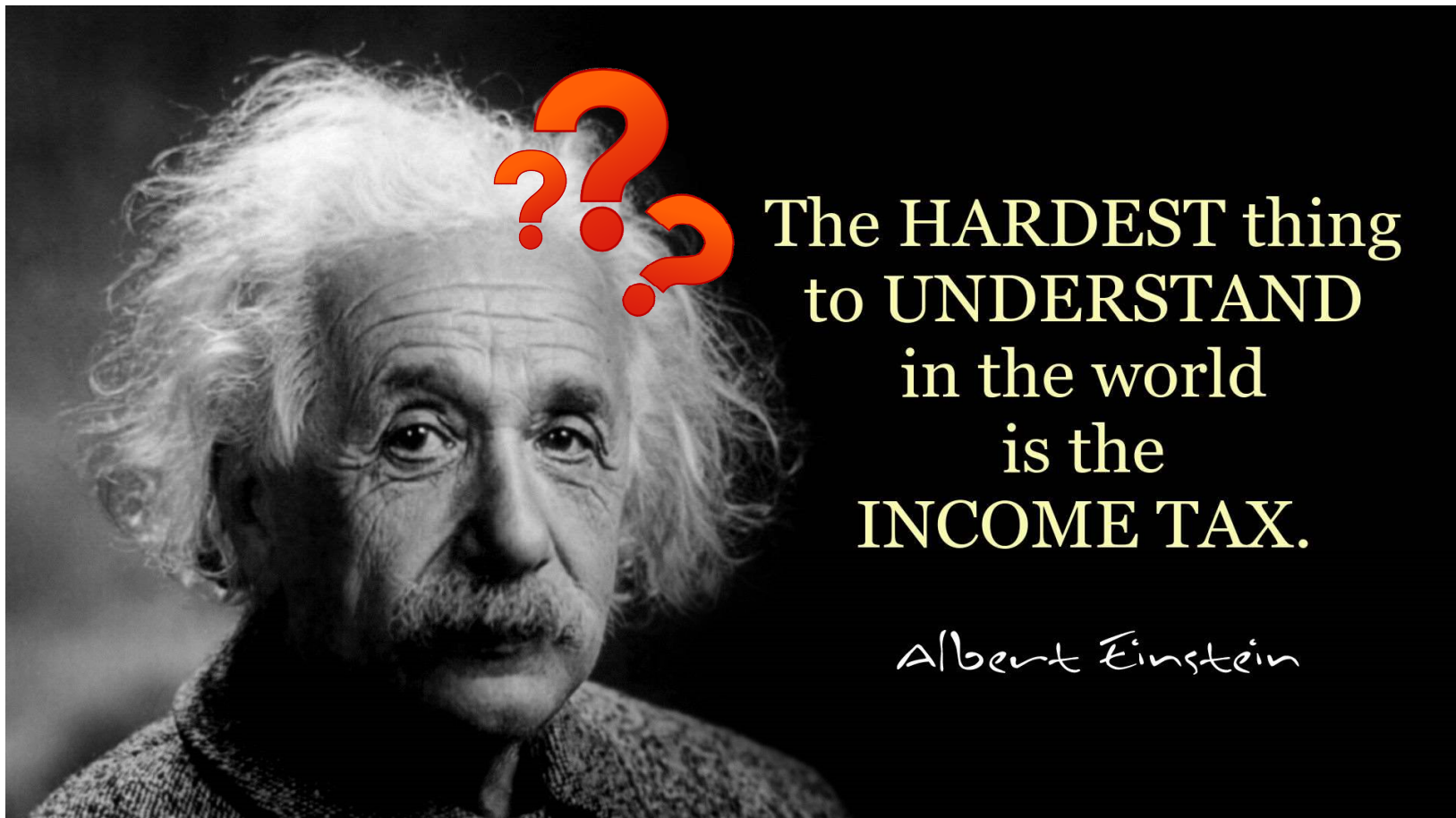


TAXATION OF INDIVIDUALS

Abraham K. Kim, CPA, MBT

K.KIM Accountancy Corp.
www.kimscpas.com

What is “Income Tax”?



GROSS INCOME

SEC. 61. GROSS INCOME DEFINED.

(a) GENERAL DEFINITION.—Except as otherwise provided in this subtitle, **gross income** means **all income** from whatever source derived

GROSS INCOME

- **Active Income**
- **Passive Income**
- **Portfolio Income**

STATUS & TAX TREATY

- Resident Aliens vs. Nonresident Aliens
 - Green Card Test
 - Substantial Presence Test
 - 1) 31 Days for 2016, and
 - 2) 183 Days during the 3-year period of 2016, 2015 (1/3) and 2014 (1/6)
 - Exempt Individual: A,F,G,J,M, or Q Visa

NONRESIDENT ALIENS

- Wages and Compensation
 - Time Basis (compensation)
 - Geographical Basis (fringe benefits)
- Interest Income/ Dividends
- Rents or Royalties
- Personal Property/ Real Property
- Scholarship/Pensions and Annuities
- Transportation Income

NONRESIDENT ALIENS

<u>Item</u>	<u>Factor determining source</u>
Salaries	Where services performed
Business income:	
Personal services	Where services performed
Sale of inventory—purchased	Where sold
Sale of inventory—produced	Allocation
Interest	Residence of payer
Dividends	Whether a U.S. or foreign corporation
Rents	Location of property
Royalties:	
Natural resources	Location of property
Patents, copyrights, etc.	Where property is used
Sale of real property	Location of property
Sale of personal property	Seller's tax home
Pension distributions	Where services were performed that earned the pension
Investment earnings on pension contributions	Location of pension trust

INCOME GENERALLY

1. **Gross Income**

Minus: deductions allowed by § 62

2. **Adjusted Gross Income (AGI)**

Minus the greater of:

- Itemized deductions or
- the standard deduction

Minus personal and dependency exemptions

3. **Taxable Income (TI)**

ABOVE-THE-LINE DEDUCTIONS

- Educator expenses
- Health Savings Account
- Moving Expenses
- Self-employment tax (50%)
- SEP, SIMPLE and Qualified Plans
- Self-employed Health Insurance
- Penalty on early withdrawal of savings
- Alimony paid

ABOVE-THE-LINE DEDUCTIONS

- IRA Contributions
- Student Loan Interest
- Tuition and fees
- Domestic Production Activities Deduction

INCOME GENERALLY

1. **Gross Income**

Minus: deductions allowed by § 62

2. **Adjusted Gross Income (AGI)**

Minus the greater of:

- Itemized deductions or
- the standard deduction

Minus personal and dependency exemptions

3. **Taxable Income (TI)**

ITEMIZED DEDUCTIONS

- Medical and Dental Expenses
- Income Tax (State, local, or foreign)
Real Property Tax (State, local or foreign)
Personal Property Tax (State, local, not foreign)
- Interest Expense (Home mortgage, investment)
- Charitable Contributions
- Personal Casualty and Theft

ITEMIZED DEDUCTIONS (Misc)

- Misc Deductions subject to 2% of AGI
 - Outside salesman expenses
 - Unreimbursed employee expenses
- Misc Deduction NOT subject to 2% of AGI
 - Gambling Loss
 - Estate tax
(related to income in respect of a decedent)
 - Claim of Right

INCOME GENERALLY

1. **Gross Income**

Minus: deductions allowed by § 62

2. **Adjusted Gross Income (AGI)**

Minus the greater of:

- Itemized deductions or
- the standard deduction

Minus personal and dependency exemptions

3. **Taxable Income (TI)**

INCOME TAX

$$\begin{array}{r} \text{Taxable income} \\ \times \text{Tax rates} \\ \hline \text{Income Tax} \\ - \text{Tax credits} \\ \hline \text{Income Tax Due} \end{array}$$

FILING STATUS & TAX RATE

Taxable Income	Tax Rate
\$0—\$9,275	10%
\$9,276—\$37,650	\$927.50 plus 15% of the amount over \$9,275
\$37,651—\$91,150	\$5,183.75 plus 25% of the amount over \$37,650
\$91,151—\$190,150	\$18,558.75 plus 28% of the amount over \$91,150
\$190,151—\$413,350	\$46,278.75 plus 33% of the amount over \$190,150
\$413,351—\$415,050	\$119,934.75 plus 35% of the amount over \$413,350
\$415,051 or more	\$120,529.75 plus 39.6% of the amount over \$415,050

Taxable Income	Tax Rate
\$0—\$18,550	10%
\$18,551—\$75,300	\$1,855 plus 15% of the amount over \$18,550
\$75,301—\$151,900	\$10,367.50 plus 25% of the amount over \$75,300
\$151,901—\$231,450	\$29,517.50 plus 28% of the amount over \$151,900
\$231,451—\$413,350	\$51,791.50 plus 33% of the amount over \$231,450
\$413,351—\$466,950	\$111,818.50 plus 35% of the amount over \$413,350
\$466,951 or more	\$130,578.50 plus 39.6% of the amount over \$466,950

INCOME TAX

$$\begin{array}{r} \text{Taxable income} \\ \times \text{ Tax rates} \\ \hline \text{Income Tax} \\ - \text{ Tax credits} \\ \hline \text{Income Tax Due} \end{array}$$

TAX CREDITS / ES TAX PAYMENTS

- Additional Child – Up to \$1,000 per child
- Adoption Expense
- Alternative Motor Vehicle
- Child and Dependent Care
- Child - \$1,000 per child
- Earned Income – Max \$6,269 for 3 children
- American Opportunity
- Lifetime Learning

TAX CREDITS / ES TAX PAYMENTS

- Elderly or Disabled
- Foreign Tax (Foreign income taxes paid)
- Minimum Tax
- Personal Energy Property - \$500 lifetime limit
- Premium Assistance (In a qualified health plan)
- Residential Energy Efficient Property
- Retirement Saver's
- Small Employer's Health Insurance Premiums

TRANSACTIONS IN PROPERTY

- Sales and Other Disposition
- Capital Gains and Losses
- Personal Casualty and Theft Gains and Losses
- Gains & Losses on Business Property
- Like-kind Exchange

Q & A

