

**SECTION 4. EXCLUSIONS**

.01 Section 3 does not apply to cases docketed under section 6015(e)(1)(A)(i)(II), section 6110, sections 6320 and 6330, section 6402, section 7428, section 7476, section 7477, section 7478, and section 7479 of the Internal Revenue Code. For cases docketed under section 6213(a), section 3 does not apply to section 6015 relief raised for the first time in the petition.

**SECTION 5. EFFECT ON OTHER DOCUMENTS**

Rev. Proc. 87-24, 1987-1 C.B. 720, is superseded.

**SECTION 6. EFFECTIVE DATE**

This revenue procedure is applicable to all docketed Tax Court cases pending on or after [insert date revenue procedure is released to the public].

**SECTION 7. DRAFTING INFORMATION**

The principal author of this revenue procedure is Jenni Black of the Office of Associate Chief Counsel (Procedure & Administration). For further information regarding this revenue procedure contact Jenni Black on (202) 317-6834 (not a toll-free number).

26 CFR 601.602: Tax forms and instructions.

(Also Part I, §§ 1, 23, 24, 25A, 32, 36B, 42, 45R, 55, 59, 62, 63, 68, 125, 132(f), 135, 137, 146, 147, 148, 151, 213, 220, 221, 512, 513, 877, 877A, 911, 2010, 2032A, 2503, 2523, 4161, 4261, 6033, 6039F, 6323, 6334, 6601, 6651, 6652, 6695, 6698, 6699, 6721, 6722, 7430, 7702B; 1.148-5.)

**Rev. Proc. 2015-53**

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SECTION 4. EFFECTIVE DATE

SECTION 5. DRAFTING INFORMATION

**SECTION 1. PURPOSE**

This revenue procedure sets forth inflation-adjusted items for 2016.

**SECTION 2. CHANGES**

.01 Section 202 of the Airport and Airways Extension Act of 2015, Pub. L. 114–55, amended § 4261(k)(1)(A)(ii) of the Internal Revenue Code (which governs the period of applicability of § 4261(b)(1), (c)(1), and (c)(3)). The effect of this amendment is to temporarily extend the passenger air transportation excise taxes of \$3.00 for domestic travel, \$12.00 for international travel, and \$6.00 for departures beginning or ending in Alaska or Hawaii. These excise taxes apply to transportation taken through March 31, 2016. After this date, the taxes and rates will expire unless Congress renews them.

.02 Section 2102 of the Small Business Jobs Act of 2010, Pub. L. 111–240, 124 Stat. 2504, provides that for each fifth calendar year beginning after 2012, the penalty under § 6721, Failure

to File Correct Information Returns, and the penalty under § 6722, Failure to Furnish Correct Payee Statements, will be adjusted for inflation.

Section 208 of the Tax Increase Prevention Act of 2014, Achieving a Better Life Experience (ABLE) Act, Pub. L. 113–295, 128 Stat. 4010, provides for inflation adjustments for certain Civil Penalties under the Code (§§ 6651, 6652(c), 6695, 6698, 6699, 6721, and 6722) for returns and statements required to be filed after December 31, 2014. For returns and statements required to be filed after December 31, 2015, Section 806 of the Trade Preferences Extension Act of 2015, Pub. L. 114–27, 129 Stat. 362, increased the tax penalties for failure to file correct information returns and furnish correct payee statements under §§ 6721 and 6722, respectively.

**SECTION 3. 2016  
ADJUSTED ITEMS**

.01 *Tax Rate Tables.* For taxable years beginning in 2016, the tax rate tables under § 1 are as follows:

TABLE 1 — Section 1(a) — Married Individuals Filing Joint Returns and Surviving Spouses	
<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$18,550	10% of the taxable income
Over \$18,550 but not over \$75,300	\$1,855 plus 15% of the excess over \$18,550
Over \$75,300 but not over \$151,900	\$10,367.50 plus 25% of the excess over \$75,300
Over \$151,900 but not over \$231,450	\$29,517.50 plus 28% of the excess over \$151,900
Over \$231,450 but not over \$413,350	\$51,791.50 plus 33% of the excess over \$231,450
Over \$413,350 but not over \$466,950	\$111,818.50 plus 35% of the excess over \$413,350
Over \$466,950	\$130,578.50 plus 39.6% of the excess over \$466,950

TABLE 2 — Section 1(b) — Heads of Households	
<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$13,250	10% of the taxable income
Over \$13,250 but not over \$50,400	\$1,325 plus 15% of the excess over \$13,250
Over \$50,400 but not over \$130,150	\$6,897.50 plus 25% of the excess over \$50,400
Over \$130,150 but not over \$210,800	\$26,835 plus 28% of the excess over \$130,150
Over \$210,800 but not over \$413,350	\$49,417 plus 33% of the excess over \$210,800
Over \$413,350 not over \$441,000	\$116,258.50 plus 35% of the excess over \$413,350
Over \$441,000	\$125,936 plus 39.6% of the excess over \$441,000

TABLE 3 — Section 1(c) — Unmarried Individuals (other than Surviving Spouses and Heads of Households)	
<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$9,275	10% of the taxable income
Over \$9,275 but not over \$37,650	\$927.50 plus 15% of the excess over \$9,275
Over \$37,650 but not over \$91,150	\$5,183.75 plus 25% of the excess over \$37,650
Over \$91,150 but not over \$190,150	\$18,558.75 plus 28% of the excess over \$91,150
Over \$190,150 but not over \$413,350	\$46,278.75 plus 33% of the excess over \$190,150
Over \$413,350 not over \$415,050	\$119,934.75 plus 35% of the excess over \$413,350
Over \$415,050	\$120,529.75 plus 39.6% of the excess over \$415,050

TABLE 4 — Section 1(d) — Married Individuals Filing Separate Returns

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$9,275	10% of the taxable income
Over \$9,275 but not over \$37,650	\$927.50 plus 15% of the excess over \$9,275
Over \$37,650 but not over \$75,950	\$5,183.75 plus 25% of the excess over \$37,650
Over \$75,950 but not over \$115,725	\$14,758.75 plus 28% of the excess over \$75,950
Over \$115,725 but not over \$206,675	\$25,895.75 plus 33% of the excess over \$115,725
Over \$206,675 not over \$233,475	\$55,909.25 plus 35% of the excess over \$206,675
Over \$233,475	\$65,289.25 plus 39.6% of the excess over \$233,475

TABLE 5 — Section 1(e) — Estates and Trusts

<i>If Taxable Income Is:</i>	<i>The Tax Is:</i>
Not over \$2,550	15% of the taxable income
Over \$2,550 but not over \$5,950	\$382.50 plus 25% of the excess over \$2,550
Over \$5,950 but not over \$9,050	\$1,232.50 plus 28% of the excess over \$5,950
Over \$9,050 but not over \$12,400	\$2,100.50 plus 33% of the excess over \$9,050
Over \$12,400	\$3,206 plus 39.6% of the excess over \$12,400

.02 *Unearned Income of Minor Children Taxed as if Parent's Income (the "Kiddie Tax").* For taxable years beginning in 2016, the amount in § 1(g)(4)(A)(ii)(I), which is used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is \$1,050. This \$1,050 amount is the same as the amount provided in § 63(c)(5)(A), as adjusted for inflation. The same \$1,050 amount is used for purposes of § 1(g)(7) (that is, to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax"). For example, one of the requirements for the parental election is that a child's gross income is more than the amount referenced in § 1(g)(4)(A)(ii)(I) but less than 10 times that amount; thus, a child's gross income for 2016 must be more than \$1,050 but less than \$10,500.

.03 *Adoption Credit.* For taxable years beginning in 2016, under § 23(a)(3) the credit allowed for an adoption of a child with special needs is \$13,460. For taxable years beginning in 2016, under § 23(b)(1) the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,460. The available adoption credit begins to phase out under § 23(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$201,920 and is completely phased out for taxpayers with modified adjusted gross income of \$241,920 or more. (See section 3.19 of this revenue procedure for the adjusted items relating to adoption assistance programs.)

.04 *Child Tax Credit.* For taxable years beginning in 2016, the value used in § 24(d)(1)(B)(i) to determine the amount of credit under § 24 that may be refundable is \$3,000.

.05 *Hope Scholarship, American Opportunity, and Lifetime Learning Credits.*

(1) For taxable years beginning in 2016, the Hope Scholarship Credit under § 25A(b)(1), as increased under § 25A(i) (the American Opportunity Tax Credit), is an amount equal to 100 percent of qualified tuition and related expenses not in excess of \$2,000 plus 25 percent of those expenses in excess of \$2,000, but not in excess of \$4,000. Accordingly, the maximum Hope Scholarship Credit allowable under § 25A(b)(1) for taxable years beginning in 2016 is \$2,500.

(2) For taxable years beginning in 2016, a taxpayer's modified adjusted gross income in excess of \$80,000 (\$160,000 for a joint return) is used to determine the reduction under § 25A(d)(2) in the amount of the Hope Scholarship Credit otherwise allowable under § 25A(a)(1). For taxable years beginning in 2016, a taxpayer's modified adjusted gross income in excess of \$55,000 (\$111,000 for a joint return) is used to determine the reduction under § 25A(d)(2) in the amount of the Lifetime Learning Credit otherwise allowable under § 25A(a)(2).

*.06 Earned Income Credit.*

(1) *In general.* For taxable years beginning in 2016, the following amounts are used to determine the earned income credit under § 32(b). The “earned income amount” is the amount of earned income at or above which the maximum amount of the earned income credit is allowed. The “threshold phaseout amount” is the amount of adjusted gross income (or, if greater, earned income) above which the maximum amount of the credit begins to phase out. The “completed phaseout amount” is the amount of adjusted gross income (or, if greater, earned income) at or above which no credit is allowed. The threshold phaseout amounts and the completed phaseout amounts shown in the table below for married taxpayers filing a joint return include the increase provided in § 32(b)(3)(B)(i), as adjusted for inflation for taxable years beginning in 2016.

<i>Item</i>	<i>Number of Qualifying Children</i>			
	<i>One</i>	<i>Two</i>	<i>Three or More</i>	<i>None</i>
Earned Income Amount	\$9,920	\$13,930	\$13,930	\$6,610
Maximum Amount of Credit	\$3,373	\$5,572	\$6,269	\$506
Threshold Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$18,190	\$18,190	\$18,190	\$8,270
Completed Phaseout Amount (Single, Surviving Spouse, or Head of Household)	\$39,296	\$44,648	\$47,955	\$14,880
Threshold Phaseout Amount (Married Filing Jointly)	\$23,740	\$23,740	\$23,740	\$13,820
Completed Phaseout Amount (Married Filing Jointly)	\$44,846	\$50,198	\$53,505	\$20,430

The instructions for the Form 1040 series provide tables showing the amount of the earned income credit for each type of taxpayer.

(2) *Excessive Investment Income.* For taxable years beginning in 2016, the earned income tax credit is not allowed under § 32(i)(1) if the aggregate amount of certain investment income exceeds \$3,400.

*.07 Refundable Credit for Coverage Under a Qualified Health Plan.* For taxable years beginning in 2016, the limitation on tax imposed under § 36B(f)(2)(B) for excess advance credit payments is determined using the following table:

<i>If the household income (expressed as a percent of poverty line) is:</i>	<i>The limitation amount for unmarried individuals (other than surviving spouses and heads of household) is:</i>	<i>The limitation amount for all other taxpayers is:</i>
Less than 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,275	\$2,550

*.08 Rehabilitation Expenditures Treated as Separate New Building.* For calendar year 2016, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$6,700.

*.09 Low-Income Housing Credit.* For calendar year 2016, the amount used under § 42(h)(3)(C)(ii) to calculate the State housing credit ceiling for the low-income housing credit is the greater of (1) \$2.35 multiplied by the State population, or (2) \$2,690,000.

*.10 Employee Health Insurance Expense of Small Employers.* For taxable years beginning in 2016, the dollar amount in effect under § 45R(d)(3)(B) is \$25,900. This amount is used under § 45R(c) for limiting the small employer health insurance credit and under § 45R(d)(1)(B) for determining who is an eligible small employer for purposes of the credit.

.11 *Exemption Amounts for Alternative Minimum Tax.* For taxable years beginning in 2016, the exemption amounts under § 55(d)(1) are:

Joint Returns or Surviving Spouses	\$83,800
Unmarried Individuals (other than Surviving Spouses)	\$53,900
Married Individuals Filing Separate Returns	\$41,900
Estates and Trusts	\$23,900

For taxable years beginning in 2016, under § 55(b)(1), the excess taxable income above which the 28 percent tax rate applies is:

Married Individuals Filing Separate Returns	\$93,150
Joint Returns, Unmarried Individuals (other than surviving spouses), and Estates and Trusts	\$186,300

For taxable years beginning in 2016, the amounts used under § 55(d)(3) to determine the phaseout of the exemption amounts are:

Joint Returns or Surviving Spouses	\$159,700
Unmarried Individuals (other than Surviving Spouses)	\$119,700
Married Individuals Filing Separate Returns and Estates and Trusts	\$79,850

.12 *Alternative Minimum Tax Exemption for a Child Subject to the “Kiddie Tax.”* For taxable years beginning in 2016, for a child to whom the § 1(g) “kiddie tax” applies, the exemption amount under §§ 55 and 59(j) for purposes of the alternative minimum tax under § 55 may not exceed the sum of (1) the child’s earned income for the taxable year, plus (2) \$7,400.

.13 *Transportation Mainline Pipeline Construction Industry Optional Expense Substantiation Rules for Payments to Employees under Accountable Plans.* For calendar year 2016, an eligible employer may pay certain welders and heavy equipment mechanics an amount of up to \$17 per hour for rig-related expenses that are deemed substantiated under an accountable plan if paid in accordance with Rev. Proc. 2002–41, 2002–1 C.B. 1098. If the employer provides fuel or otherwise reimburses fuel expenses, up to \$11 per hour is deemed substantiated if paid under Rev. Proc. 2002–41.

.14 *Standard Deduction.*

(1) *In general.* For taxable years beginning in 2016, the standard deduction amounts under § 63(c)(2) are as follows:

<i>Filing Status</i>	<i>Standard Deduction</i>
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(a))	\$12,600
Heads of Households (§ 1(b))	\$9,300
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(c))	\$6,300
Married Individuals Filing Separate Returns (§ 1(d))	\$6,300

(2) *Dependent.* For taxable years beginning in 2016, the standard deduction amount under § 63(c)(5) for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,050, or (2) the sum of \$350 and the individual’s earned income.

(3) *Aged or blind.* For taxable years beginning in 2016, the additional standard deduction amount under § 63(f) for the aged or the blind is \$1,250. The additional standard deduction amount is increased to \$1,550 if the individual is also unmarried and not a surviving spouse.

.15 *Overall Limitation on Itemized Deductions.* For taxable years beginning in 2016, the applicable amounts under § 68(b) are \$311,300 in the case of a joint return or a surviving spouse, \$285,350 in the case of a head of household, \$259,400 in the case of an individual who is not married and who is not a surviving spouse or head of household, \$155,650 in the case of a married individual filing a separate return.

.16 *Cafeteria Plans.* For the taxable years beginning in 2016, the dollar limitation under § 125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements is \$2,550.

.17 *Qualified Transportation Fringe Benefit.* For taxable years beginning in 2016, the monthly limitation under § 132(f)(2)(A) regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is \$130. The monthly limitation under § 132(f)(2)(B) regarding the fringe benefit exclusion amount for qualified parking is \$255.

.18 *Income from United States Savings Bonds for Taxpayers Who Pay Qualified Higher Education Expenses.* For taxable years beginning in 2016, the exclusion under § 135, regarding income from United States savings bonds for taxpayers who pay qualified higher education expenses, begins to phase out for modified adjusted gross income above \$116,300 for joint returns and \$77,550 for all other returns. The exclusion is completely phased out for modified adjusted gross income of \$146,300 or more for joint returns and \$92,550 or more for all other returns.

.19 *Adoption Assistance Programs.* For taxable years beginning in 2016, under § 137(a)(2), the amount that can be excluded from an employee's gross income for the adoption of a child with special needs is \$13,460. For taxable years beginning in 2016, under § 137(b)(1) the maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee is \$13,460. The amount excludable from an employee's gross income begins to phase out under § 137(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$201,920 and is completely phased out for taxpayers with modified adjusted gross income of \$241,920 or more. (See section 3.03 of this revenue procedure for the adjusted items relating to the adoption credit.)

.20 *Private Activity Bonds Volume Cap.* For calendar year 2016, the amounts used under § 146(d) to calculate the State ceiling for the volume cap for private activity bonds is the greater of (1) \$100 multiplied by the State population, or (2) \$302,875,000.

.21 *Loan Limits on Agricultural Bonds.* For calendar year 2016, the loan limit amount on agricultural bonds under § 147(c)(2)(A) for first-time farmers is \$520,000.

.22 *General Arbitrage Rebate Rules.* For bond years ending in 2016, the amount of the computation credit determined under the permission to rely on § 1.148-3(d)(4) of the proposed Income Tax Regulations is \$1,650.

.23 *Safe Harbor Rules for Broker Commissions on Guaranteed Investment Contracts or Investments Purchased for a Yield Restricted Defeasance Escrow.* For calendar year 2016, under § 1.148-5(e)(2)(iii)(B)(1), a broker's commission or similar fee for the acquisition of a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is reasonable if (1) the amount of the fee that the issuer treats as a qualified administrative cost does not exceed the lesser of (A) \$39,000, and (B) 0.2 percent of the computational base (as defined in § 1.148-5(e)(2)(iii)(B)(2)) or, if more, \$4,000; and (2) the issuer does not treat more than \$110,000 in brokers' commissions or similar fees as qualified administrative costs for all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with gross proceeds of the issue.

*.24 Personal Exemption.*

- (1) For taxable years beginning in 2016, the personal exemption amount under § 151(d) is \$4,050.
- (2) *Phaseout.* For taxable years beginning in 2016, the personal exemption phases out for taxpayers with the following adjusted gross income amounts:

<i>Filing Status</i>	<i>AGI – Beginning of Phaseout</i>	<i>AGI – Completed Phaseout</i>
Married Individuals Filing Joint Returns and Surviving Spouses (§ 1(a))	\$311,300	\$433,800
Heads of Households (§ 1(b))	\$285,350	\$407,850
Unmarried Individuals (other than Surviving Spouses and Heads of Households) (§ 1(c))	\$259,400	\$381,900
Married Individuals Filing Separate Returns (§ 1(d))	\$155,650	\$216,900

*.25 Eligible Long-Term Care Premiums.* For taxable years beginning in 2016, the limitations under § 213(d)(10), regarding eligible long-term care premiums includible in the term “medical care,” are as follows:

<i>Attained Age Before the Close of the Taxable Year</i>	<i>Limitation on Premiums</i>
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

*.26 Medical Savings Accounts.*

(1) *Self-only coverage.* For taxable years beginning in 2016, the term “high deductible health plan” as defined in § 220(c)(2)(A) means, for self-only coverage, a health plan that has an annual deductible that is not less than \$2,250 and not more than \$3,350, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$4,450.

(2) *Family coverage.* For taxable years beginning in 2016, the term “high deductible health plan” means, for family coverage, a health plan that has an annual deductible that is not less than \$4,450 and not more than \$6,700, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$8,150.

*.27 Interest on Education Loans.* For taxable years beginning in 2016, the \$2,500 maximum deduction for interest paid on qualified education loans under § 221 begins to phase out under § 221(b)(2)(B) for taxpayers with modified adjusted gross income in excess of \$65,000 (\$130,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$80,000 or more (\$160,000 or more for joint returns).

*.28 Treatment of Dues Paid to Agricultural or Horticultural Organizations.* For taxable years beginning in 2016, the limitation under § 512(d)(1), regarding the exemption of annual dues required to be paid by a member to an agricultural or horticultural organization, is \$161.