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The personal exemption is the amount by which a taxpayer can reduce his or her taxable income that is based on the number of financial dependents the taxpayer has. Typically, a married person who files jointly with his spouse can declare a personal exemption for himself, his spouse, and any financially dependent children.

For example, the personal exemption amount is \$4,000 per person in 2015. If a taxpayer declares four personal exemptions for 2015, the taxpayer's taxable income will be reduced by  $4 \times \$4,000$  or \$16,000.

The personal exemption is subject to a phaseout for taxpayers with an adjusted gross income (AGI) above a certain threshold. This threshold amount is \$309,900 in 2015 for married couples filing jointly.

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