

2011 Individual Income Tax Rates

<u>Married Filing Jointly &amp; Surviving Spouse</u>			<u>Single</u>		
Taxable Income	Pay +	%	Taxable Income	Pay +	%
0 - 17,000	0	10	0 - 8,500	0	10
17,000 - 69,000	1,700.00	15	8,500 - 34,500	850.00	15
69,000 - 139,350	9,500.00	25	34,500 - 83,600	4,750.00	25
139,350 - 212,300	27,087.50	28	83,600 - 174,400	17,025.00	28
212,300 - 379,150	47,513.50	33	174,400 - 379,150	42,449.00	33
379,150 and over	102,574.00	35	379,150 and over	110,016.50	35

  

<u>Head Of Household</u>			<u>Married Filing Separately</u>		
Taxable Income	Pay +	%	Taxable Income	Pay +	%
0 - 12,150	0	10	0 - 8,500	0	10
12,150 - 46,250	1,215.00	15	8,500 - 34,500	850.00	15
46,250 - 119,400	6,330.00	25	34,500 - 69,675	4,750.00	25
119,400 - 193,350	24,617.50	28	69,675 - 106,150	13,543.75	28
193,350 - 379,150	45,323.50	33	106,150 - 189,575	23,756.75	33
379,150 and over	106,637.50	35	189,575 and over	51,287.00	35

PHASEOUT RANGES

Rounded to nearest 1,000

<u>STATUS</u>	<u>REG IRA*</u>	<u>ROTH IRA</u>	<u>CHILD TAX</u>	
			<u>CREDIT</u>	
MFJ	90-110K	169-179K	110K	
SINGLE	56-66K	107-122K	75K	
HOH	56-66K	107-122K	75K	
MS**	56-66K	0-10K	55K	**Did not live with spouse any time during the year.

\*If active participant in another plan.

  

<u>STATUS</u>	<u>STUDENT LOAN INTEREST</u>	<u>COVERDELL EDUCATIONAL SAVINGS</u>	<u>AMERICAN OPPORTUNITY CREDIT</u>		<u>SERIES EE BOND INTEREST EXCLUSION</u>
			<u>EDUCATION</u>		
MFJ	120-150K	190-220K	160-180K		106,650-136,650
SINGLE	60-75K	95-110K	80-90K		71,100-86,100
HOH	60-75K	95-110K	80-90K		71,100-86,100
MS	N/A	N/A	N/A		71,100-86,100

  

<u>STATUS</u>	<u>COLLEGE TUITION DEDUCTION</u>	<u>RETIREMENT SAVINGS CREDIT UP TO \$2,000</u>		
		<u>50% CREDIT</u>	<u>20% CREDIT</u>	<u>10% CREDIT</u>
MFJ	130K-160K	0-34K	34-36.5K	36.5-56.5K
SINGLE	65K-80K	0-17K	17K-18.25K	18.25-28.25K
HOH	65K-80K	0-25.5K	25.5K-27.375K	27.375K-42.375K
MS	N/A	0-17K	17K-18.25K	18.25-28.25K

2012 DATES TO REMEMBER

17-Jan	LAST QUARTERLY ESTIMATE DUE FOR 2010	15-Mar	Corporate returns for calendar year
31-Jan	W-2s, 1099s due to recipients, 941, 940, SUTA	17-Apr	Form 1040, Fiduciary, Partnerships, or Extension
29-Feb	W-3s, W-2s, 1096, 1099 to Government	17-Apr	First 2010 quarterly estimate
16-Apr	Tennessee Hall Income Tax	16-Apr	Tennessee Franchise & Excise Tax

Personal Exemption or Dependents 3,700 each

Standard Deduction	Single	5,800	blind/>65	add \$1,450 each
	Head Household	8,500	blind/>65	add \$1,450 each
	Married Joint	11,600	blind/>65	add \$1,150 each
	Married Separate	5,800	blind/>65	add \$1,150 each

Alternative Minimum Tax This is a tax that looks at your regular income, adds certain tax preference items, and if that exceeds your exemption amount, the modified taxable income. This difference up to \$175,000 is taxed at 26%, all over that is 28%. If this calculation exceeds your regular tax liability then you owe the alternative minimum tax. The exemption amounts for a single is \$48,450, Married and Separate is \$37,225, and joint filers is \$74,450.

	<u>2011</u>		
Vehicle Business Use 1/1-6/30	51¢	per mile	(only valid if 4 or fewer vehicles)
Vehicle Business Use 7/1-12/31	55.5¢	per mile	
Medical mileage 1/1-6/30	19¢	per mile	
Medical mileage 7/1-12/31	23.5¢	per mile	
Contribution mileage	14¢	per mile	
Moving 1/1-6/30	19¢	per mile	
Moving 7/1-12/31	23.5¢	per mile	

Depreciation Component 22¢ per mile

2011  
Self Employment Tax 13.30% \$106,800 Social Security Base  
2.9% Of all over \$106,800  
FICA Tax 5.65% \$106,800 Social Security Base  
1.45% Of all over \$106,800

Maximum Contribution to 401K , 403B & 457 Plans 16,500  
Maximum Contribution to 401K , 403B & 457 Plans if over age 50 22,000  
Maximum Contribution for Defined Contributions Plan 49,000  
Simple IRAs 11,500  
Simple IRAs if over 50 14,000

Maximum Earnings Before Social Security Benefit Reduction 2011 2012  
62 to year you turn 66 - you lose \$1 for every \$2 you earn over this. \$14,160 \$14,640  
January till 66 you lose \$1 for every \$3 you earn over this. \$37,680 \$38,880  
Social Security Defined Full Retirement Age (age 66 until 2020) No limit No limit

Earned Income Credit Single/HOH No children earns 1 - 13,650 max credit = \$464 NONE IF INVESTMENT  
one child earns 1 - 36,052 max credit = \$3,094 INCOME > 3,150  
two earns 1 - 40,964 max credit = \$5,112  
three earns 1 - 43,998 max credit = \$5,751  
Joint filers No children earns 1 - 18,740 max credit = \$464  
one child earns 1 - 41,132 max credit = \$3,094  
two earns 1 - 46,044 max credit = \$5,112  
three or more earns 1 - 49,078 max credit = \$5,751

MEAL ALLOWANCE LOW COST \$52/DAY  
HIGH COST \$65/DAY  
TRANSPORTATION INDUSTRY Can use above or if both High & Low an average of \$59/Day

Generally these are 50% deductible, but for transportation workers they may be 80% deductible.

DEPRECIATION Section 179 maximum = \$500,000 except for SUVs which are capped at \$25,000 in the first year.  
Personal property Phaseout begins when acquisitions exceed \$2,000,000.  
No bonus depreciation Trucks or vans (less than 6000lbs) purchased in 2010 will get first year of \$3,260. Bonus increase of \$8,000 if new and used over 50% for business.  
Auto (<6000 lbs) limit is \$3,060 first year. Bonus increase of \$8,000 for new car used over 50% for business.

BONUS-DEPRECIATION First year 50% bonus depreciation is allowed for tangible personal property, computer software and leasehold improvements. Must be original use property. Some special restrictions apply.

CAPITAL GAINS The holding period is over 12 months for long-term, and maximum rate is 15%, if no AMT.  
A few exceptions do exist such as collectibles which have a maximum of 28% and Section 1250 property (depreciation) of 25%.

CHARITY Must have substantiation for any amount of cash contributions. If any one contribution is \$250 or greater need a receipt and a written acknowledgement from the organization.  
Noncash contributions must be in good used condition or better. Written acknowledgement must be provided if greater than \$250.  
If \$5,000 or greater, a qualified appraisal is required and a signed Form 8283.

CONTRIBUTION OF IRA May contribute up to \$100,000 of IRA funds to a charitable organization without recognizing income on the distribution. It is not a charitable deduction.

KIDDIE TAX Applies to children under age 19 or under 23 and a full time student. The parents tax highest rate applies to unearned income over \$1,900 of the child.

HOPE SCHOLARSHIP CREDIT or AMERICAN OPPORTUNITY TAX CREDIT The maximum credit for tuition and related expenses incurred in the first two years of college is \$2,500.  
You get 100% of the first \$2,000 plus 25% of the next \$2,000 of expenses including required fees and course materials. The American Opportunity Tax Credit applies to four years of post secondary education.  
This will be same credit as Hope. See table for phaseouts.

LIFETIME LEARNING CREDIT Covers tuition and related expenses paid. Applies to college graduate, undergraduate, training programs for improving job skills. Based on 20% of tuition costs up to \$10,000 (maximum credit of \$2,000).  
See chart for phaseouts.

DEBT FORGIVENESS COD INCOME Can exclude from gross income qualified principal residence indebtedness which is the acquisition indebtedness with a 2 million dollar limit (1 million for married filing separate). The basis in property is reduced by excluded amount.  
Applies to debt forgiven in 2007- 2012.

STUDENT LOAN INTEREST	Student claiming interest may claim an above the line deduction of up to \$2,500. See chart for phaseouts.
ROTH IRA	You can contribute up to \$5,000 of earned income to a Roth IRA if you have earnings to that extent for each spouse. The deduction is not deductible for taxes, but after you reach 59 and a half and the Roth has been in existence for five years, you can take a full distribution tax-free. See chart for phaseouts. Can contribute \$6,000 if age 50 and over. Contributions are combined with traditional IRA for maximum.
TRADITIONAL IRA	A spouse can contribute and deduct if not covered under current retirement plan. See chart for phaseouts if other spouse covered. Contribution amount is \$5,000 of earned income or \$6,000 if 50 and over. Contributions are combined with Roth IRA for maximum.
RETIREMENT SAVINGS CREDIT	See chart for phaseouts. Must be 18, cannot be a dependent or full time student. The maximum credit per taxpayer is \$1,000. Can have as much as \$2,000 on married and joint. This is a nonrefundable credit which means it will only reduce your tax. It will apply to Roth, Traditional, 401K, and other elective deferral plans.
HEALTH SAVINGS ACCOUNTS (HSAs)	Can make deductible contributions of \$3,050 for self, or \$6,150 (*\$8,150 if both over 55) for family plan. Cannot be enrolled in Medicare or dependent of another. Distributions not taxable to extent used for medical costs. *Catch up provision of \$1,000 additional if 55 or older.
LONG TERM CARE INSURANCE	Premium limits. 40 or less = \$340, 41 to 50 = \$640, 51 to 60 = \$1,270, 61 to 70 = \$3,390, over 70 = \$4,240
TEACHERS' EXPENSES	An above the line deduction up to \$250 will be allowed for educators in K1 to grade 12, who purchase supplies and materials for the class.
CHILD TAX CREDIT	Will remain at \$1,000 per child through 2012.
SALES & USE TAX	Can use as an itemized deduction. Can use the higher of state sales or state income tax.
HYBRID & ELECTRIC PLUG-IN AND OTHER ALTERNATIVES	Various credits are allowed which are determined by manufacturer. A 2 or 3 wheel rechargeable electric vehicle acquired in 2011 will qualify based on 10% of the cost up to a maximum of \$2,500. A qualified plug-in electric motor vehicle (4 wheel) will qualify if placed in service in 2011, for a credit up to \$7,500.
ESTATE AND GIFT TAX CHANGES	The federal estate tax exemption in 2011 is \$5,000,000, in 2012 this will be \$5,120,000. The Tennessee exemption amount is 1,000,000. The annual gift federal exclusion is \$13,000 (12,000 in Tennessee) per recipient. The maximum federal tax rate is 35%. Can use up \$1,000,000 of gift exemption during lifetime and reduce estate exemption by this amount upon your death. However, need to consider that Tennessee does not have equivalent process.

**NOTE - WE HAVE LISTED MOST OF THE CHANGES WHICH MAY HAVE AN EFFECT ON INDIVIDUALS, BUT THIS LIST IS NOT TOTALLY COMPREHENSIVE. IF YOU ARE PLANNING TO MAKE A MAJOR TRANSACTION, YOU SHOULD CONSULT WITH A PROFESSIONAL.**

#### TAX PLANNING TIPS

1. REALIZE INCOME WHEN YOUR TAX RATE IS LOW.
2. PAY DEDUCTIBLE EXPENSES WHEN YOUR TAX RATE IS HIGH.
3. IF POSSIBLE, DEFER TAXES.

#### SIGNIFICANT FACTORS THAT MAY AFFECT YOUR TAX

1. MARITAL STATUS CHANGE.
2. MAJOR CHANGE IN INCOME LEVEL.
3. EXCESS DEDUCTIONS SUBJECTING YOU TO ALTERNATIVE MINIMUM TAX.
4. MAJOR SALES OF ASSETS OR REAL ESTATE.
5. HEALTH FACTORS AND AGE.

#### FOLLOWING ARE SOME OF THE TRANSACTIONS YOU MIGHT CONSIDER

1. IRA CONTRIBUTION OR DISTRIBUTIONS. ROTH VS. TRADITIONAL.
2. ADJUST DEFERRED COMPENSATION.
3. USE T-BILLS OR BANK CERTIFICATES WITH A TERM OF A YEAR OR LESS AS THE INTEREST IS NOT TAXABLE UNTIL MATURITY.
4. STRATEGICALLY PLAN CAPITAL GAINS AND LOSSES, BUT WATCH OUT FOR WASH SALES (61 DAYS).
5. CONSIDER PASSIVE ACTIVITY LOSSES IN CAPITAL LOSS STRATEGY ESPECIALLY IF AN ACTIVE PARTICIPANT IN REAL ESTATE INVESTMENTS.
6. CONSIDER TAXFREE TREATMENT OF SERIES EE BONDS UNTIL SOLD.
7. CONSIDER PURCHASE OF BUSINESS EQUIPMENT AND FURNITURE FOR SPECIAL DEPRECIATION DEDUCTIONS.
8. CONSIDER INSTALLMENT SALES TO SELL PROPERTY.

9. CONSIDER DONATING APPRECIATED PROPERTY TO A QUALIFIED CHARITY. ALSO, CONSIDER THE IRA CONTRIBUTION OF \$100,000.
10. CONVERT LOANS TO INVESTMENT, BUSINESS, OR MORTGAGE LOANS.
11. SEEK THE ADVICE OF A QUALIFIED PROFESSIONAL BEFORE FINALIZING A MAJOR TRANSACTION.