

# 2012 Tax Digest

Presented by: **Matt Wichman**  
MRW Financial, Inc.

Prepared for:

## Income Tax Rates and Deductions

Tax Rates	
Ordinary Income Tax Rates	10%, 15%, 25%, 28%, 33%, 35%
Capital Gains and Dividend Tax Rates	0% (10%/15% tax brackets), 15% (other tax brackets)
Alternative Minimum Tax Exemption	\$33,750 single/\$45,000 married (without Congressional action)
Personal Exemption Deduction (\$3,800)	
Standard Deduction	
Joint Returns and Surviving Spouses	\$11,900
Heads of Household	\$8,700
Single Taxpayers	\$5,950
Married Filing Separately	\$5,950
Dependent	\$950 or \$300 plus earned income, if greater
Age 65 and Older or Blind - Single or Head of Household	Additional \$1,450 each
Age 65 and Older or Blind - All Others	Additional \$1,150 each
"Kiddie" Tax (children under age 19 and dependent full-time students under age 24)	
Amount	\$1,900
Alternative Minimum Tax Exemption	\$6,950 plus child's earned income
Child Tax Credit	
Amount	\$1,000
Refundable Limit	\$3,000
Education Deductions/Credits	
<b>Hope Scholarship Credit (American Opportunity Tax Credit):</b>	
100% of First \$2,000 of tuition and related college expenses	\$2,000
25% of Next \$2,000	\$500
Maximum	\$2,500
<b>Hope Scholarship Credit Phaseouts:</b>	
Joint Return	\$160,000 - \$180,000
All Others	\$80,000 - \$90,000
<b>Lifetime Learning Credit:</b>	
Amount	20% of the first \$10,000 of qualified tuition and fees (\$2,000 maximum)
<b>Lifetime Learning Credit Phaseouts:</b>	
Joint Return	\$104,000 - \$124,000
All Others	\$52,000 - \$62,000
<b>Student Loan Interest Deduction/Phaseouts:</b>	
Amount	\$2,500
Phaseout Joint Filers	\$125,000 - \$155,000
Phaseout All Others	\$60,000 - \$75,000
<b>Education Savings Account Deduction/Phaseouts:</b>	
Amount	\$2,000 per beneficiary
Phaseout Joint Filers	Reduces to zero for AGIs between \$190,000 - \$220,000
Phaseout All Others	Reduces to zero for AGIs between \$95,000 - \$110,000

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## Social Security

OASDI - Earnings Base	\$110,100
Rate	6.20% Employer/4.20% Employee
Employer/Employee Maximum Tax Each	\$6,826.20 Employer/\$4,624.20 Employee
Self-Employed Maximum Tax	10.40%/\$11,450.40
HI (Medicare) Rate	1.45%
Cost of Living Benefit Increase	3.6%
Quarter of Coverage Earnings	\$1130
Normal Retirement Age (NRA) – 1943 - 1954 year of birth	66
Earnings Test - Retired under NRA all of 2012	\$14,640
Reach NRA during 2012	\$38,880

## Health Savings Accounts

Coverage	Minimum Deductible	Maximum Tax Deduction	Maximum Out-of-Pocket
Self-Only	\$1,200	\$3,100	\$6,050
Family	\$2,400	\$6,250	\$12,100

## Retirement Plan Contribution/Benefit Limits

Defined Benefit Plans	\$200,000 maximum benefit
Defined Contribution Plans	\$50,000 or 100% of compensation maximum contribution
Elective Deferral Limit for 401(k) Plans, SAR-SEPs and TSAs	\$17,000
Catch-up for 401(k) Plans, SAR-SEPs and TSAs (age 50 or older)	\$5,500
Elective Deferral Limit for SIMPLE IRAs and SIMPLE 401(k) Plans	\$11,500
Catch-up for SIMPLE IRAs and SIMPLE 401(k) Plans (age 50 or older)	\$2,500
Elective Deferral Limit for 457 Plans	\$17,000
Minimum Compensation Amount for SEPs	\$550
Maximum Compensation for Qualified Plans, SEPs, TSAs, VEBAs	\$250,000
Highly Compensated Employee Definition Limit	\$115,000
ESOP Payout Limits	\$200,000/\$1,015,000
Contribution Limit for IRAs (Traditional and Roth)	\$5,000
Catch-up for IRAs (Traditional and Roth) (age 50 or older)	\$1,000

## Eligible Long-Term Care Insurance Amounts

Attained Age in 2012	Limitation on Deductible Premiums
40 or less	\$350
41 to 50	\$660
51 to 60	\$1,310
61 to 70	\$3,500
More than 70	\$4,370
Per Diem Tax-Free Benefit Limitation	\$310

## Estate, Gift and Generation-Skipping Transfer (GST) Taxes

Top Tax Rate	35%
Annual Gift and GST Exclusion	\$13,000
Annual Exclusion Non-U.S. Spouse	\$139,000
Gift Tax Unified Credit (exemption equivalent)	\$1,772,800 (\$5,120,000)
Estate Tax Unified Credit (exemption equivalent)	\$486,500
Estate Tax Deferral (Closely-Held Businesses)	\$1,040,000
Special Use Valuation Limitation	\$500,000
Qualified Conservation Easement Exclusion	\$5,120,000
GST Exemption	\$1,772,800 (\$5,120,000)