

# WEALTH PLANNING: A GUIDE TO ANNUAL LIMITS FOR 2012

## INCOME TAX EXEMPTIONS AND DEDUCTIONS

Personal exemption .....	\$3,800
There is no phaseout of personal exemptions for 2012: <sup>1</sup>	
Standard deduction:	
Single .....	\$5,950
Married filing jointly .....	\$11,900
Head of household .....	\$8,700
Married filing separately .....	\$5,950
Kiddie tax limited standard deduction .....	\$950
Elderly or blind additional deduction:	
Single or Head of household .....	\$1,450
Married .....	\$1,150
There is no phaseout of itemized deductions for 2012.	
Section 179:	
Maximum election .....	\$139,000
Phaseout begins .....	\$560,000
Adoption credit (nonrefundable for 2012):	
Maximum election .....	\$12,650
Phaseout .....	\$189,710 – \$229,710

## SOCIAL SECURITY AND WITHHOLDING

Social Security taxable wage base .....	\$110,100
SS tax rate-employee <sup>2</sup> .....	7.65%
SS tax rate-self-employed .....	13.30%
Earnings limitations:	
Below Full Retirement Age (\$1 for \$2) .....	\$14,640
Persons reaching Full Retirement Age (\$1 for \$3) .....	\$38,880
(Applies only to earnings for months prior to attaining FRA)	
Social Security cost-of-living adjustment .....	3.60%
Quarter of coverage .....	\$1,130
Maximum benefit: worker retiring at FRA .....	\$2,513
Estimated average monthly benefit .....	\$1,229

## DETERMINING SOCIAL SECURITY FULL RETIREMENT AGE (FRA)

Year of Birth .....	Full Retirement Age
1941 .....	65 and 8 months
1942 .....	65 and 10 months
1943 – 54 .....	66
1955 .....	66 and 2 months
1956 .....	66 and 4 months
1957 .....	66 and 6 months
1958 .....	66 and 8 months
1959 .....	66 and 10 months
1960 or later .....	67

## ESTATE AND GIFT TAX-RELATED ITEMS

Annual gift tax exclusion .....	\$13,000
Federal estate tax basic exclusion .....	\$5,120,000
Gift tax basic exclusion .....	\$5,120,000
Generation skipping transfer tax exemption .....	\$5,120,000
Maximum gift and estate tax rate <sup>3</sup> .....	35%

## RETIREMENT PLANS

Elective deferrals of 401 (k), 403 (b), 457, and SARSEPs .....	\$17,000
Catch-up contribution (50 and over) .....	\$5,500
Defined contribution (\$415) .....	\$50,000
Defined benefit (\$415) .....	\$200,000
SIMPLE plan .....	\$11,500
SIMPLE catch-up contribution .....	\$2,500
Maximum includible compensation .....	\$250,000
Highly compensated employee .....	\$115,000
Key employee (top-heavy plan) .....	>\$165,000
SEP participation limit .....	\$550
IRA or Roth IRA contribution limit .....	\$5,000
IRA or Roth IRA catch-up .....	\$1,000
IRA deduction phaseout for active participants:	
Single .....	\$58,000 – \$68,000
Married filing jointly <sup>4</sup> .....	\$92,000 – \$112,000
Married filing separately .....	\$0 – \$10,000
Spousal IRA .....	\$173,000 – \$183,000
Roth IRA phaseout:	
Single .....	\$110,000 – \$125,000
Married filing jointly .....	\$173,000 – \$183,000

## EDUCATION

EE bonds for education-phaseout of exclusion:	
Single .....	\$72,850-\$87,850
Married filing jointly .....	\$109,250 – \$139,250
Coverdell Education Savings Account phaseout:	
Single .....	\$95,000 – \$110,000
Married filing jointly .....	\$190,000 – \$220,000
Lifetime Learning Credit phaseout <sup>5</sup>	
Single .....	\$52,000 – \$62,000
Married filing jointly .....	\$104,000 – \$124,000
American Opportunity Credit – Maximum of \$2,500 (100% on first \$2,000; 25% of next \$2,000). Phaseout:	
Single .....	\$80,000 – \$90,000
Married filing jointly .....	\$160,000 – \$180,000
Education loan deduction (\$2,500) phaseout:	
Single .....	\$60,000 – \$75,000
Married filing jointly .....	\$125,000 – \$155,000
\$4,000 higher education expense deduction:	
Unmarried AGI cutoff .....	\$65,000
Married filing jointly AGI cutoff .....	\$130,000
\$2,000 higher education expense deduction:	
Unmarried AGI cutoff .....	\$80,000
Married filing jointly AGI cutoff .....	\$160,000

## STANDARD MILEAGE RATES

Business use .....	\$0.555 per mile
Charitable use (non-indexed) .....	\$0.14 per mile
Medical or moving use .....	\$0.23 per mile

## MEDICARE

### Monthly premium:

Part A <sup>6</sup> .....	\$451
Part B .....	\$99.90

### Part A:

First 60 days – patient pays deductible .....	\$1,156
Next 30 days – patient pays per day .....	\$289
Next 60 days (lifetime reserve days)/patient pays per day ....	\$578

### Skilled nursing benefits:

First 20 days – patient pays per day .....	\$0
Next 80 days – patient pays per day .....	\$144.50
Over 100 days – patient pays per day .....	All costs

### Part B:

Deductible .....	\$140
Coinsurance .....	20%

### Part D (Prescription benefits):

Deductible .....	\$320
25% coinsurance on next .....	\$2,930
Out-of-pocket Threshold.....	\$4,700
Gap .....	\$3,727
Beneficiary then pays coinsurance amount for additional covered expenses.	

## HEALTH SAVINGS ACCOUNT

### Minimum deductible amount:

Single .....	\$1,200
Family .....	\$2,400

### Maximum out-of-pocket amount:

Single .....	\$6,050
Family .....	\$12,100

### HSA statutory contribution maximum:

Single .....	\$3,100
Family .....	\$6,250

Catch-Up contribution (age 55 older) ..... \$1,000

## MISCELLANEOUS ITEMS

PBGC maximum monthly benefit (at age 65) ..... \$4,653

### Archer Medical Savings Account:

Single, high deductible .....	\$2,100 – \$3,150
Family, high deductible .....	\$4,200 – \$6,300
Single out-of-pocket maximum .....	\$4,200
Family out-of-pocket maximum .....	\$7,650

Long-term care (LTC), per diem limit ..... \$310

### LTC premium as a medical expense limitation:

Age 40 or less .....	\$350
Age 41 – 50 .....	\$660
Age 51 – 60 .....	\$1,310
Age 61 – 70 .....	\$3,500
Age 71 or older .....	\$4,370

### Qualified transportation expenses (monthly):

Commuter highway/transit pass.....	\$120
Qualified parking .....	\$230

*This material is being provided for informational purposes only, and should not be construed or interpreted as tax advice. Please seek assistance of a professional tax advisor to discuss how these figures could affect your individual situation.*

*1. Phaseout limits will not apply for 2012, but will resurface again in 2013, pending further legislation. The 2009 phaseout limits, which would return in 2013 pending further legislation, are shown below.*

#### *Phaseout of personal exemptions from 2009:*

<i>Single</i> .....	<i>\$166,800</i>
<i>Married filing jointly</i> .....	<i>\$250,200</i>
<i>Head of household</i> .....	<i>\$208,500</i>
<i>Married filing separately</i> .....	<i>\$125,100</i>

#### *Phaseout of itemized deductions from 2009:*

<i>Married filing jointly</i> .....	<i>\$83,400</i>
<i>All others</i> .....	<i>\$166,800</i>

- 2. The Social Security Tax Rate is comprised of two separate payroll taxes: 6.20% for Old Age, Survivors, and Disability Insurance and 1.45% for Hospital Insurance.*
- 3. In 2010, government legislation made the unused credit amount of a deceased individual portable to the surviving spouse if both spouses die in 2011 and 2012.*
- 4. For married couples who file a joint return and only one spouse is an active participant, the AGI phaseout is \$173,000 – \$183,000 for 2012.*
- 5. The Lifetime Learning Credit allowance is for 20% of up to \$10,000 of qualified expenses.*
- 6. The Part A premium of \$451/month applies.*

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# 2012 TAX BRACKETS AND STANDARD DEDUCTIONS

Married Filing Jointly				
Taxable income is over	But not over	The tax is	Plus	Of the amount over
\$0.00	\$17,400.00	\$0.00	10%	\$0.00
\$17,400.00	\$70,700.00	\$1,740.00	15%	\$17,400.00
\$70,700.00	\$142,700.00	\$9,735.00	25%	\$70,700.00
\$142,700.00	\$217,450.00	\$27,735.50	28%	\$142,700.00
\$217,450.00	\$388,350.00	\$48,665.00	33%	\$217,450.00
\$388,350.00		\$105,062.00	35%	\$388,350.00

Single				
Taxable income is over	But not over	The tax is	Plus	Of the amount over
\$0.00	\$8,700.00	\$0.00	10%	\$0.00
\$8,700.00	\$35,350.00	\$870.00	15%	\$8,700.00
\$35,350.00	\$85,650.00	\$4,867.50	25%	\$35,350.00
\$85,650.00	\$178,650.00	\$17,442.50	28%	\$85,650.00
\$178,650.00	\$388,350.00	\$43,482.50	33%	\$178,650.00
\$388,350.00		\$112,683.50	35%	\$388,350.00

Head of Household				
Taxable income is over	But not over	The tax is	Plus	Of the amount over
\$0.00	\$12,400.00	\$0.00	10%	\$0.00
\$12,400.00	\$47,350.00	\$1,240.00	15%	\$12,400.00
\$47,350.00	\$122,300.00	\$6,482.50	25%	\$47,350.00
\$122,300.00	\$198,050.00	\$25,220.00	28%	\$122,300.00
\$198,050.00	\$388,350.00	\$46,430.00	33%	\$198,050.00
\$388,350.00		\$109,229.00	35%	\$388,350.00

Married Filing Separately				
Taxable income is over	But not over	The tax is	Plus	Of the amount over
\$0.00	\$8,700.00	\$0.00	10%	\$0.00
\$8,700.00	\$35,350.00	\$870.00	15%	\$8,700.00
\$35,350.00	\$71,350.00	\$4,867.50	25%	\$35,350.00
\$71,350.00	\$108,725.00	\$13,867.50	28%	\$71,350.00
\$108,725.00	\$194,175.00	\$24,332.50	33%	\$108,725.00
\$194,175.00		\$52,531.00	35%	\$194,175.00

Estates and Trusts				
Taxable income is over	But not over	The tax is	Plus	Of the amount over
\$0.00	\$2,400.00	\$0.00	15%	\$0.00
\$2,400.00	\$5,600.00	\$360.00	25%	\$2,400.00
\$5,600.00	\$8,500.00	\$1,160.00	28%	\$5,600.00
\$8,500.00	\$11,650.00	\$1,972.00	33%	\$8,500.00
\$11,650.00		\$3,011.50	35%	\$11,650.00

Income Tax Deductions/Exemptions	
Standard Deduction	Amount
Married Filing Jointly	\$11,900
Single/Married Filing Separately	\$5,950
Head of Household	\$8,700
Personal Exemption	\$3,800
Kiddie Tax Limited Standard Deduction	\$950
Additional Standard Deduction for Senior Citizen or Blind Individual	
Married Filing Jointly	\$1,150
Single	\$1,450

Corporations				
Taxable income is over	But not over	The tax is	Plus	Of the amount over
\$0.00	\$50,000	15% of the amount	0%	\$0
\$50,000	\$75,000	\$7,500	25%	\$50,000
\$75,000	\$100,000	\$13,750	34%	\$75,000
\$100,000	\$335,000	\$22,250	39%	\$100,000
\$335,000	\$10,000,000	\$113,900	34%	\$335,000
\$10,000,000	\$15,000,000	\$3,400,000	35%	\$10,000,000
\$15,000,000	\$18,333,333	\$5,150,000	38%	\$15,000,000
\$18,333,333		35% of the amount		

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*The current additional standard deduction for age 65 or older blindness varies based on filing status and cannot be claimed if the taxpayer files through Form 1040EZ.*

