

# 2010 Tax Digest

## 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)

### Personal Exemption Deduction (\$3,650):

### Standard Deduction

Joint Returns and Surviving Spouses	\$11,400
Heads of Household	\$ 8,400
Single Taxpayers	\$ 5,700
Married Filing Separately	\$ 5,700
Dependent	\$950 or \$300 plus earned income, if greater
Age 65 and Older or Blind – Single or Head of Household	Additional \$1,400 each
Age 65 and Older or Blind – All Others	Additional \$1,100 each

### “Kiddie” Tax

(children under age 19 and dependent full-time students under age 24)

Amount	\$ 1,900
Alternative Minimum Tax Exemption	\$6,700 plus earned income

### Child Tax Credit

Amount	\$ 1,000
Refundable Limit	\$ 3,000

### Education Deductions/Credits

#### Hope Scholarship Credit (American Opportunity Tax Credit):

100% of First \$2,000 of tuition and related college expenses	\$ 2,000
25% of Next \$2,000	\$500
Maximum	\$ 2,500

#### Hope Scholarship Credit Phaseouts:

Joint Return	\$160,000 - \$180,000
All Others	\$80,000 - \$ 90,000

**Lifetime Learning Credit:**

Amount 20% of the first \$10,000 of qualified tuition and fees

**Lifetime Learning Credit Phaseouts:**

Joint Return \$100,000 - \$120,000  
 All Others \$ 50,000 - \$ 60,000

**Student Loan Interest Deduction/Phaseouts:**

Amount \$ 2,500  
 Phaseout Joint Filers \$120,000 - \$150,000  
 Phaseout All Others \$ 60,000 - \$ 75,000

**Education Savings Account Deduction/Phaseouts:**

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

**Social Security**

OASDI – Earnings Base **\$106,800**

Rate **6.20%**

Employer/Employee Maximum Tax Each \$6,621.60  
 Self-employed Maximum Tax \$13,243.20  
 Cost of Living Benefit Increase 1.45%  
 Quarter of Coverage Earnings \$1,120  
 Normal Retirement Age (NRA): 1943 – 1954 year of birth 66  
 Earnings Test – Retired under NRA all of 2010 \$14,160  
 Reach NRA during 2010 \$37,680

**Health Savings Accounts**

Coverage	Minimum Deductible	Maximum Contribution	Maximum Out-of-Pocket
Self-Only	\$1,200	\$3,050	\$5,950
Family	\$2,400	\$6,150	\$11,900

## **Retirement Plan Contribution/Benefit Limits**

Defined Benefit Plans	<b>\$195,000</b> maximum benefit
Defined Contribution Plans	<b>\$49,000</b> or 100% of compensation maximum contribution
Elective Deferral Limit for 401(k) Plans, SAR-SEPs and TSAs	<b>\$16,500</b>
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	\$16,500
Minimum Compensation Amount for SEPs	\$550
Maximum Compensation for Qualified Plans, SEPs, TSAs, VEBAs	\$245,000
Highly Compensated Employee Definition Limit	\$110,000
ESOP Payout Limits	\$195,000/\$985,000
Contribution Limit for IRAs (Traditional and Roth)	\$5,000
Catch-up for IRAs (Traditional and Roth) (age 50 and older)	\$1,000

## **Eligible Long-Term Care Insurance Amounts**

<b>Attained Age in 2009</b>	<b>Limitation on Deductible Premiums</b>
40 or less	\$330
41 to 50	\$620
51 to 60	\$1,230
61 to 70	\$3,290
More than 70	\$4,110
Per Diem Tax-Free Benefit Limitation	\$290

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

**NOTE:** The following reflects 2009 estate and gift taxation. Congressional action on 2010 estate and gift taxation is currently pending.

Top Tax Rate	45%
Annual Gift and GST Exclusion	\$13,000
Annual Exclusion Non-US Spouse	\$133,000
Gift Tax Unified Credit (exemption equivalent)	\$345,800 (\$1,000,000)
Estate Tax Unified Credit (exemption equivalent)	\$1,455,800 (\$3,500,000)
Estate Tax Deferral (Closely-Held Businesses)	\$598,500
Special Use Valuation Limitation	\$1,000,000
Qualified Conservation Easement Exclusion	\$500,000
GST Exemption	\$3,500,000