

2010 Tax Digest

Prepared for: **Happy New Year!**
Presented by: **Financial Services Online (FSO)**
and The Virtual Assistant (VSA)

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

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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
HI (Medicare) Rate	1.45%
Cost of Living Benefit Increase	0.0%
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	\$195,000 maximum benefit
Defined Contribution Plans	\$49,000 or 100% of compensation maximum contribution
Elective Deferral Limit for 401(k) Plans, SAR-SEPs and TSAs	\$16,500
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 or older)	\$1,000

Eligible Long-Term Care Insurance Amounts

Attained Age in 2009	Limitation on Deductible Premiums
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-U.S. 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