

# 2012 Federal Tax Rates



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## RETIREMENT BENEFIT LIMITS

| Benefit   | Limit     |
|---|-----------|
| Contributions to 401(k), 403(b), 457(b)(2), 457(c)(1) and SARSEP plans          | \$ 17,000 |
| Contributions to defined contribution plans                                     | \$ 50,000 |
| Contributions to SIMPLEs  | \$ 11,500 |
| Contributions to IRAs   | \$ 5,000  |
| Catch-up contributions to 401(k), 403(b), 457(b)(2), 457(c)(1) and SARSEP plans | \$ 5,500  |
| Catch-up contributions to SIMPLEs   | \$ 2,500  |
| Catch-up contributions to IRAs  | \$ 1,000  |
| Compensation for benefit purposes for qualified plans and SEPs                  | \$250,000 |
| Highly compensated employee threshold   | \$115,000 |
| Annual benefit for defined benefit plans  | \$200,000 |

## EARNINGS THRESHOLDS FOR PHASEOUT OF SOCIAL SECURITY BENEFITS

| Retirement age status            | Earnings limit |
|----------------------------------|----------------|
| Before Full Retirement Age (FRA) | \$14,640       |
| Pre-FRA in year you reach FRA    | \$38,880       |
| After FRA                        | None           |

## ESTATE AND TRUST INCOME TAX RATES

| If taxable income is ... | ... tax is ... | ... of amount over |
|--------------------------|----------------|--------------------|
| \$ 0 – \$ 2,400          | 15%            | \$ 0               |
| \$2,400 – \$ 5,600       | \$ 360 + 25%   | \$ 2,400           |
| \$5,600 – \$ 8,500       | \$1,160 + 28%  | \$ 5,600           |
| \$8,500 – \$11,650       | \$1,972 + 33%  | \$ 8,500           |
| Over \$11,650            | \$3,012 + 35%  | \$11,650           |

## GIFT AND ESTATE TAX EXEMPTIONS AND RATES

| Year | Exemption    | Top rate on excess |
|------|--------------|--------------------|
| 2011 | \$ 5,000,000 | 35%                |
| 2012 | \$ 5,120,000 | 35%                |
| 2013 | \$ 1,000,000 | 55%                |

2012 annual gift tax exclusion: \$13,000 per recipient (\$26,000 if spouses elect “split-gift” treatment)

The spouse of someone who dies in 2011 or 2012 may be able to use the deceased spouse’s unused exemption.

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## CORPORATE INCOME TAX RATES

| If taxable income is ...    | ... tax is ...    | ... of amount over |
|-----------------------------|-------------------|--------------------|
| \$ 0 – \$ 50,000            | 15%               | \$ 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       |
| Over \$18,333,333           | \$6,416,667 + 35% | \$18,333,333       |

Personal service corporations are taxed at a flat 35% rate.

## SECTION 179 EXPENSING

|                    | 2012      | 2013      |
|--------------------|-----------|-----------|
| Expensing limit    | \$139,000 | \$ 25,000 |
| Phaseout threshold | \$560,000 | \$200,000 |

## BONUS DEPRECIATION

| 2012 | 2013 |
|------|------|
| 50%  | 0%   |

Qualified assets include new tangible property with a recovery period of 20 years or less, off-the-shelf computer software, water utility property and qualified leasehold-improvement property.

## DEPRECIATION CLASSES AND METHODS

| Class     | Method        | Examples                                  |
|-----------|---------------|---|
| 36-month  | Straight-line | Software                                  |
| 3-year    | 200% DB*      | Dies, molds, small tools                  |
| 5-year    | 200% DB*      | Vehicles, computers, office equipment     |
| 7-year    | 200% DB*      | Manufacturing equipment, office furniture |
| 7-year    | 150% DB*      | Farm equipment                            |
| 27.5-year | Straight-line | Rental residential buildings              |
| 39-year   | Straight-line | Nonresidential buildings                  |

\* Declining-balance.

## MACRS DEPRECIATION RATES (with half-year convention)

| Year | 3-year | 5-year | 7-year |
|------|--------|--------|--------|
| 1    | 33.33% | 20.00% | 14.29% |
| 2    | 44.45% | 32.00% | 24.49% |
| 3    | 14.81% | 19.20% | 17.49% |
| 4    | 7.41%  | 11.52% | 12.49% |
| 5    | —      | 11.52% | 8.93%  |
| 6    | —      | 5.76%  | 8.92%  |
| 7    | —      | —      | 8.93%  |
| 8    | —      | —      | 4.46%  |

## INDIVIDUAL INCOME TAX RATES\*

### Single

| If taxable income is ... | ... tax is ...  | ... of amount over |
|--------------------------|-----------------|--------------------|
| \$ 0 – \$ 8,700          | 10%             | \$ 0               |
| \$ 8,700 – \$ 35,350     | \$ 870 + 15%    | \$ 8,700           |
| \$ 35,350 – \$ 85,650    | \$ 4,868 + 25%  | \$ 35,350          |
| \$ 85,650 – \$178,650    | \$ 17,443 + 28% | \$ 85,650          |
| \$178,650 – \$388,350    | \$ 43,483 + 33% | \$178,650          |
| Over \$388,350           | \$112,684 + 35% | \$388,350          |

### Head of household

| If taxable income is ... | ... tax is ...  | ... of amount over |
|--------------------------|-----------------|--------------------|
| \$ 0 – \$ 12,400         | 10%             | \$ 0               |
| \$ 12,400 – \$ 47,350    | \$ 1,240 + 15%  | \$ 12,400          |
| \$ 47,350 – \$122,300    | \$ 6,483 + 25%  | \$ 47,350          |
| \$122,300 – \$198,050    | \$ 25,220 + 28% | \$122,300          |
| \$198,050 – \$388,350    | \$ 46,430 + 33% | \$198,050          |
| Over \$388,350           | \$109,229 + 35% | \$388,350          |

### Married filing jointly or surviving spouse

| If taxable income is ... | ... tax is ...  | ... of amount over |
|--------------------------|-----------------|--------------------|
| \$ 0 – \$ 17,400         | 10%             | \$ 0               |
| \$ 17,400 – \$ 70,700    | \$ 1,740 + 15%  | \$ 17,400          |
| \$ 70,700 – \$142,700    | \$ 9,735 + 25%  | \$ 70,700          |
| \$142,700 – \$217,450    | \$ 27,735 + 28% | \$142,700          |
| \$217,450 – \$388,350    | \$ 48,665 + 33% | \$217,450          |
| Over \$388,350           | \$105,062 + 35% | \$388,350          |

### Married filing separately

| If taxable income is ... | ... tax is ...  | ... of amount over |
|--------------------------|-----------------|--------------------|
| \$ 0 – \$ 8,700          | 10%             | \$ 0               |
| \$ 8,700 – \$ 35,350     | \$ 870 + 15%    | \$ 8,700           |
| \$ 35,350 – \$ 71,350    | \$ 4,868 + 25%  | \$ 35,350          |
| \$ 71,350 – \$108,725    | \$ 13,868 + 28% | \$ 71,350          |
| \$108,725 – \$194,175    | \$ 24,333 + 33% | \$108,725          |
| Over \$194,175           | \$ 52,531 + 35% | \$194,175          |

\* These rates generally apply to earned income, business income, interest and dividends. But, for 2012, long-term capital gains rates apply to qualified dividends.

## FICA RATES

The rate for the employee portion of Social Security tax is 4.2%\*, and the maximum earned income it applies to is \$110,100, while the Medicare rate is 1.45% and applies to all earned income.

Self-employed individuals pay both the employee and employer portions, but get a deduction for the employer portion.

Cash wages totaling \$1,800 or more to household employees are also subject to FICA taxes.

\* Assuming the two-month extension of this reduced rate (from 6.2%) is extended for the full year.

## CAPITAL GAINS TAX RATES

| Type of gain   | Maximum rate |       |
|--|--------------|-------|
|  | 2012         | 2013  |
| Short-term gain<br>(assets held 12 months or less)   | 35%          | 39.6% |
| Long-term gain<br>(generally assets held<br>more than 12 months)                                     | 15%          | 20%   |
| Long-term gain on collectibles   | 28%          | 28%   |
| Long-term gain attributable to<br>certain depreciation recapture                                     | 25%          | 25%   |
| Gain on qualified small business<br>stock held more than 5 years                                     | 14%*         | 14%*  |
| Long-term gain that would be<br>taxed at 15% or less based on the<br>taxpayer's ordinary-income rate | 0%           | 10%   |

\* Effective rate based on 50% exclusion from a 28% rate.

## ALTERNATIVE MINIMUM TAX

### Single, head of household, married filing jointly or surviving spouse

| If taxable income is ... | ... tax is ... | ... of amount over |
|--------------------------|----------------|--------------------|
| \$ 0 – \$175,000         | 26%            | \$ 0               |
| Over \$175,000           | \$45,500 + 28% | \$175,000          |

### Married filing separately

| If taxable income is ... | ... tax is ... | ... of amount over |
|--------------------------|----------------|--------------------|
| \$ 0 – \$ 87,500         | 26%            | \$ 0               |
| Over \$ 87,500           | \$22,750 + 28% | \$ 87,500          |

### Exemptions\*

| Filing status               | Exemption amount |
|-----------------------------|------------------|
| Single or head of household | \$33,750         |
| Married filing jointly      | \$45,000         |
| Married filing separately   | \$22,500         |

### Exemption phaseouts based on AMT income\*

| Filing status               | Income range of phaseout |
|-----------------------------|--------------------------|
| Single or head of household | \$112,500 – \$247,500    |
| Married filing jointly      | \$150,000 – \$330,000    |
| Married filing separately   | \$ 75,000 – \$165,000    |

\* An AMT patch might be passed that would increase the exemptions and expand the phaseout ranges.

## STANDARD MILEAGE RATES

| Use of vehicle    | Deduction per mile |
|-------------------|--------------------|
| Business          | 55.5 cents         |
| Medical or moving | 23 cents           |
| Charitable        | 14 cents           |

## STANDARD DEDUCTIONS

| Filing status                              | Deduction |
|--|-----------|
| Single                                     | \$ 5,950  |
| Head of household                          | \$ 8,700  |
| Married filing jointly or surviving spouse | \$11,900  |
| Married filing separately                  | \$ 5,950  |

## PERSONAL EXEMPTIONS

Exemption amount: \$3,800

The exemption phaseout for higher-income taxpayers doesn't apply to 2012.

## HEALTH SAVINGS ACCOUNTS

| Limit  | Individual | Family   |
|--|------------|----------|
| Contribution   | \$3,100    | \$ 6,250 |
| Catch-up*<br>contribution                                | \$1,000    | \$ 1,000 |
| Minimum high-deductible<br>health plan (HDHP) deductible | \$1,200    | \$ 2,400 |
| Maximum HDHP<br>out-of-pocket costs                      | \$6,050    | \$12,100 |

\* Individuals age 55 and older may qualify to make these additional contributions.

## LONG-TERM CARE INSURANCE

| Age          | Premium deduction limit |
|--------------|-------------------------|
| 40 and under | \$ 350                  |
| 41 to 50     | \$ 660                  |
| 51 to 60     | \$1,310                 |
| 61 to 70     | \$ 3,500                |
| Over 70      | \$4,370                 |

## COVERDELL ESAs

### Contribution limit per beneficiary

| 2012    | 2013  |
|---------|-------|
| \$2,000 | \$500 |

### Phaseouts based on contributor's Adjusted Gross Income (AGI)

| Filing status               | AGI range of phaseout |
|-----------------------------|-----------------------|
| Single or head of household | \$ 95,000 – \$110,000 |
| Married filing jointly      | \$190,000 – \$220,000 |