



**Tax Law Uncertainties**

Recent elections and tax law changes are *the* hot topic for discussion. In an attempt to add clarity, we have prepared the following chart listing the current 2010 law, the 2011 law if no congressional intervention occurs, and President Obama's 2011 tax law proposal.

Please let us know if you have any questions about these items or if we can assist you in any way.

|  | <b>2010</b>  | <b>Sunset 2011</b>   | <b>Obama 2011 Proposal</b>  |
|--|--|--|---|
| <b><i>Individuals:</i></b>   |  |  |   |
| Individual income tax rates  | 10%, 15%, 25%, 28%,<br>33%, 35%  | 15%, 28%, 31%, 36%,<br>39.6%   | 10%, 15%, 25%, 28%,<br>36%, 39.6%   |
| Itemized deduction phase-out for high-income taxpayers             | limitation entirely repealed   | limitation reinstated in full  | limitation starting at \$200,000 AGI (\$250,000 for joint filers)   |
| Personal exemption phase-out for high-income taxpayers             | limitation entirely repealed   | limitation reinstated in full  | limitation starting at \$200,000 AGI (\$250,000 for joint filers)   |
| Standard deduction for joint filers (marriage penalty relief)      | 200% of standard deduction for single filers, or \$11,400  | < 200% of standard deduction for single filers. Between \$9,500 and \$10,000                           | 200% of standard deduction for single filers  |
| Fifteen percent bracket for joint filers (marriage penalty relief) | Twice the 15% bracket for single filers  | Less than combined 15% brackets of single filers   | Twice the 15% bracket for single filers   |
| Child tax credit   | \$1,000 per qualifying child   | \$500 per qualifying child   | \$1,000 per qualifying child  |
| Dependent care credit  | \$3,000 for one and \$6,000 for two or more qualifying individuals; Max credit 35%                     | \$2,400 for one and \$4,800 for two or more qualifying individuals; Max credit 30%                     | No proposal   |
| Adoption credit  | \$13,170 refundable credit for each eligible child   | \$13,360 refundable credit for each eligible child   | \$13,360 refundable credit for each eligible child  |
| AMT exemption amounts  | \$33,750 for single filers; \$45,000 for joint filers; and \$22,500 for married filing separate filers | \$33,750 for single filers; \$45,000 for joint filers; and \$22,500 for married filing separate filers | No proposal   |
| Capital gains rates for individuals                                | 15%; 0% for taxpayers in the 10% and 15% tax brackets  | 20%; 10% for taxpayers in the 10% and 15% tax brackets   | 0% for taxpayers in the 10% and 15% brackets; 15% for those in the 25% and 28% brackets; 20% for all others |
| Dividend income tax rates for individuals                          | 15%; 0% for taxpayers in the 10% and 15% tax brackets  | Ordinary income tax rates  | 20% for single filers with AGI >\$200,000 and joint filers with AGI >\$250,000; 15% or 0% for all others    |

|   | <b>2010</b>   | <b>Sunset 2011</b>  | <b>Obama 2011 Proposal</b>                       |
|---|---|---|--|
| Small business stock                    | 7% of excluded gain treated as tax preference item subject to AMT                           | 42% of excluded gain treated as tax preference item subject to AMT                    | Excluded gain will not be an AMT preference item |
| Mutual funds and REITs                  | Dividends received taxed at 15% or 0% qualified dividends rates                             | Dividends received taxed at ordinary rates  | No proposal                                      |
| Educational assistance programs         | Employers deduct up to \$5,250 for qualifying education expenses paid on behalf of employee | Employee must include all employer-provided education assistance in income            | No proposal                                      |
| Coverdell education savings accounts    | \$2,000 max annual contribution; Includes elementary and secondary education expenses       | \$500 max annual contribution; Includes higher education expenses only                | No proposal                                      |
| Student loan interest deduction         | \$2,500 above-the-line deduction; Increased AGI phaseout range                              | \$2,500 above-the-line deduction; Lower AGI phaseout range, and a 60-month limitation | No proposal                                      |
| Deduction for higher education expenses | Pending legislation; max deduction of \$4,000 or \$2,000 depending on AGI                   | No proposal   | No proposal                                      |

|                                | <b>2010</b>  | <b>Sunset 2011</b>   | <b>Obama 2011 Proposal</b>                       |
|--------------------------------|--|--|--|
| <b><i>Businesses:</i></b>      |  |  |  |
| Accumulated earnings tax       | 15%  | Highest tax rate imposed on dividends distributed to individuals | No proposal                                      |
| Personal holding companies     | 15% on undistributed personal holding company (PHC) income | Highest individual tax rate on undistributed PHC income          | No proposal                                      |
| Expensing for small businesses | \$500,000 maximum deduction; \$2 million phase-out         | \$500,000 maximum deduction; \$2 million phase-out               | \$125,000 maximum deduction; \$500,000 phase-out |

|   | <b>2010</b>  | <b>Sunset 2011</b>  | <b>Obama 2011 Proposal</b> |
|---|--|---|----------------------------|
| <b><i>Estates and Gifts:</i></b>          |  |   |                            |
| Estate and gift tax rates                 | Estate tax repealed entirely; max gift tax reduced to 35%    | 55% max estate and gift tax   | No proposal                |
| Estate and gift tax exemption amounts     | Estate tax repealed entirely; \$1 million gift tax exclusion | \$1 million estate and gift tax exclusions  | No proposal                |
| Qualified family owned business deduction | No deduction   | Deduction from gross estates of individuals holding certain qualified family-owned business interests | No proposal                |

|  | <b>2010</b>  | <b>Sunset 2011</b>   | <b>Obama 2011 Proposal</b> |
|--|--|--|----------------------------|
| State death tax credit                               | Deduction for state death taxes  | Credit for state death taxes   | No proposal                |
| Income tax exclusion for sale of principal residence | Applicable to a decedent's principal residence sold by the decedent's estate | Not applicable to a decedent's principal residence sold by the decedent's estate | No proposal                |

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