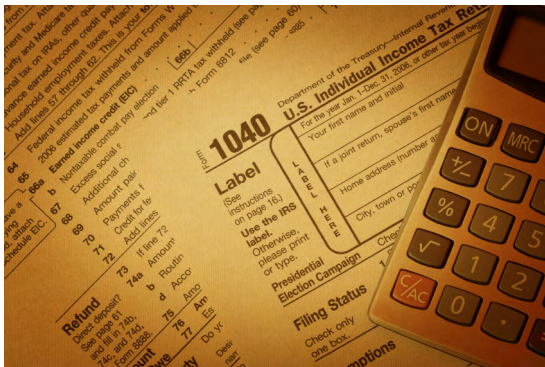


Tax Changes for 2012

Estate Taxes

The Estate Tax Exclusion increases by \$120,000 in 2012 to \$5,120,000. Congress has done nothing to make the gift and estate tax rules permanent, so in 2013 we return to an exemption of \$1,000,000 with a 55% marginal tax rate. Portability will disappear like Cinderella's carriage and we can expect that nothing will be done until after the elections. Depending on the make-up of government for 2013, we may not see a new law until then. Additionally, the annual exclusion will remain at \$13,000 for 2012. Special use qualifying property goes up \$20,000 to \$1,040,000



Income Taxes

The value of each personal exemption will be increased by \$100 to \$3,800 in 2012. For those who use the standard deduction rather than itemizing, the deduction for 2012 will be \$11,900 for married couples filing jointly, \$5,950 for singles and married individuals filing separately and \$8,700 for heads of household. Tax-bracket thresholds increase for each tax bracket. For example, the threshold for between the 15% and 25% brackets increased \$1,700 from 2011.

Retirement-Related Limits

The IRS raises the limit on 401(k), 403(b) and most 457 plan contributions to \$17,000 for 2012. The catch-up contribution remains at \$5,500 for 2012. The deduction for taxpayers making

contributions to a traditional IRA that is phased out for singles and heads of household who have a workplace retirement plan is increased \$2,000 to \$92,000 with full phase-out at \$112,000. For an IRA contributor who is not covered by an employer plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$173,000 and \$183,000, up from \$169,000 and \$179,000. The AGI phase-out for taxpayers making contributions to a Roth IRA is \$173,000 to \$183,000. For singles and heads of household, the income phase-out range is \$110,000 to \$125,000. The AGI limit for the saver's credit contribution, also known as the Retirement Savings Contribution Credit contribution, for low- and moderate-income workers is \$57,500 for married filing jointly, \$43,125 for heads of household and \$28,750 for single individuals.

Credits, Deductions and Related Phase-Outs

The maximum-earned income tax credit for low- and moderate-income families increases to \$5,891 and the maximum-earned income limit for EITC (spell out?) increases to \$50,270. The foreign-earned income deduction increases to \$95,100. The modified adjusted gross income threshold at which the lifetime learning credit begins to be phased out is \$104,000 for joint filers and \$52,000 for single and head of household filers. Annual deductible amounts for Medical Savings Accounts increase to the following amounts:

- Minimum of \$2,100 for employee only with maximum of \$3,150 and maximum out-of-pocket of \$4,200.
- Minimum of \$4,200 for a family with maximum of \$6,300 and maximum out-of-pocket of \$7,650.

The \$2,500 maximum deduction for interest paid on student loans begins to phase out for married taxpayers filing jointly at \$125,000 and phases out completely at \$155,000. For single taxpayers the phase-out ranges stay at 2011 levels.

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