

## 2013 Inflation Adjustments

Background. IRS has announced the following inflation adjustments to figures used in computing income, gift, estate and generation skipping transfers taxes and Qualified Funding.

### IRA's

Max IRA or Roth IRA Contribution \$	\$5,000
Max IRA or Roth IRA contribution % of earnings	100%
Max Catch-ups to IRAs (age 50+ at end of yr)	\$1,000
Deductible IRA Phase-out (MFJ)(2 covered)	\$89,000-\$109,000
Deductible IRA Phase-out (MFJ)(1 covered)	\$166,000-\$176,000
Deductible IRA Phase-out (Single)	\$55,000-\$65,000
Roth IRA Phase-out (MFJ)	\$166,000
Roth IRA Phase-out (Single)	\$105,000
Establish by 1040 Return due date, no extensions.	

### INCOME TAX RATES, EXEMPTIONS & STANDARD DEDUCTIONS

#### Married Filing Joint

Highest Income Tax Rate	35%
Income Taxed at Highest rate starts at	\$379,150
Over <b>\$234,503</b> up to <b>\$379,150</b>	33%
Over <b>\$133,573</b> up to <b>\$234,520</b>	28%
Over <b>\$63,203</b> up to <b>\$133,550</b>	25%
Over <b>19,003</b> up to <b>\$63,200</b>	15%
Under <b>\$19,200</b>	10%
Standard Deduction (MFJ)	\$11,600
Standard Deduction Single	\$5,800
Personal Exemptions	\$3,700
Itemized Deductions phase out above	\$250,200
<b>SINGLE</b> over \$379,150	35%
Income Taxed at Highest rate starts at	\$372,950
Over <b>\$174,401</b> up to <b>\$379,150</b>	33%
Over <b>\$83,601</b> up to <b>\$174,600</b>	28%
Over <b>\$34,501</b> up to <b>\$83,600</b>	25%
Over <b>\$8,501</b> up to <b>\$34,500</b>	15%
Under <b>\$8,500</b>	10%
Standard Deduction (Single)	\$5,700
Standard Deduction (Heads of Household)	\$8,350
Personal Exemptions per taxpayer	\$3,700
Itemized Deductions phase out above	\$166,800

#### Maximum LT Capital Gains or Qualifying Dividend Tax Rate

Income over <b>\$11,351</b> taxed at	35%
Income over <b>\$8,301</b> up to <b>\$11,350</b> taxed at	33%
Income over <b>\$5,451</b> up to <b>\$8,300</b> taxed at	28%
Income over <b>\$2,300</b> up to <b>\$5,450</b> taxed at	25%
Income up to <b>\$2,300</b> taxed at	15%

### SOCIAL SECURITY

#### MAXIMUM SOCIAL SECURITY BENEFITS

Both spouses over wage base in all yrs at age 65	\$55,752
Single earner over wage base all yrs at age 65	\$27,867

#### When Retirement Earnings Reduce Benefits

Under full retirement age	\$14,160
(\$1 of benefits withheld for every \$2 above earnings limit)	(\$1,180/mo.)
Year an individual reaches full retirement age	\$37,680
(Applies to earnings for months prior to attaining full retirement age)	(\$3,140/mo.)
Retirement age. \$1 in benefits withheld for every \$3 in earnings above limit	
There is no limit on earnings beginning the month an individual attains full retirement age.	

#### When Social Security benefits are Taxable

You will only have to pay income tax on your Social Security benefits if you have other significant income to report on your tax return. However the maximum amount of social security benefit included in taxable income (regardless of the amount of additional income) is 85%.

<b>% of Social Security Benefits are taxable when:</b> MFJ (MAGI) = \$32,000 up to \$44,000	then	50%
MFJ (MAGI) = \$44,000 or more	then	85%
Single (MAGI) = \$25,000 up to \$34,000	then	50%
Single (MAGI) = \$34,000 or more	then	85%

MAGI=AGI minus all social security but plus all municipal interest + savings bond proceeds used to pay higher ed+ excluded adoption assistance+ ded'n of interest on qualified higher ed loans + deducted higher ed exps'+ excl for citizens living in Puerto Rico/

#### Gift, Estate & Generation Skipping Taxes

##### Annual Exclusion Amounts

Annual Gift Tax Exclusion per donee	\$13,000
Annual Gift Tax Exclusion (non-citizen spouse)	\$136,000
Exemption Equivalents by Year:	

YEAR	ESTATE TAX	PA ESTATE TAX	GIFT TAX
2009	\$3,500,000	Soak Up Tax Only!	\$1,000,000
2010	Tax repealed		\$1,000,000
2011	\$3,500,000		\$1,000,000
Generation Skipping Tax Exemption (2009)			\$3,500,000
GST exemption equivalent at death = estate tax exemption.			
GST exempt amount by gift increases for inflation annually.			
Portion of Estate Tax at 2% Interest (6166)			\$1,330,000

##### TRANSFER TAX RATES GIFT TAX ESTATE TAX

Up to \$1.00 million	credit absorbs tax	Credit absorbs tax
\$1.00MM to \$1.25MM	41%	Credit absorbs tax
\$1.25MM to \$1.50MM	43%	Credit absorbs tax
\$1.50MM AND OVER	45%	

#### CHILDREN & EDUCATION-RELATED ADJUSTMENTS

##### MAXIMUM CREDITS PER YEAR

Child Tax Credit per qualifying child	\$1,000
Coverdell Education Savings Acc't ("Educ IRAs")	\$2,000
Hope Credit per eligible student (Opportunity Tax)	\$2,500
Lifetime Learning Credit	\$2,000

##### PHASEOUTS BEGIN AT SINGLE MARRIED FILING JOINT

Child Tax Credit -\$1,000	\$75,000	\$110,000
Coverdell	\$95,000	\$190,000
Hope Learning	\$80,000	\$160,000
529 Plans (per donor per donee per year)		\$13,000
529 Plans (5 yr election per donor per donee)		\$65,000
Kiddie Tax Threshold (until age 18, students 24)		\$950

##### MAX DEDUCTIBLE LONG TERM CARE PREM'S (BY AGE ON 12/31)

Age 40 or less	\$340 each
Age 40-50	\$640 each
Age 50-60	\$1,270 each
Age 60-70	\$3,390 each
Over Age 70	\$4,240 each

This deduction is subject to the 7.5% medical expense threshold.