



# What Every Woman Needs to Know About the New Income Tax Changes

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# Dave Barry does the IRS

“It’s income tax time again, Americans: time to gather up those receipts, get out those tax forms, sharpen up that pencil, and stab yourself in the aorta.”

- Dave Barry



- Historically speaking
- What the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act really means...

## Penny's Top Ten Picks

- The Future?? 2010 Health Care Act



# Selected Tax Rates

Year	Lowest Tax Bracket		Highest Tax Bracket	
	% Tax Rate	Taxable Income Under	% Tax Rate	Taxable Income Over
1913	1.00	20,000	7.00	500,000
1923	3.00	4,000	43.50	200,000
1933	4.00	4,000	63.00	1,000,000
1943	19.00	2,000	88.00	200,000
1953	22.20	4,000	92.00	400,000
1963	20.00	4,000	91.00	400,000
1973	14.00	1,000	70.00	200,000
1983	11.00	3,400	50.00	109,400
1993	15.00	36,900	39.60	250,000
2003	10.00	14,000	35.00	311,950
2011	10.00	17,000	35.00	379,150



# Buckets of Income

## Ordinary Income



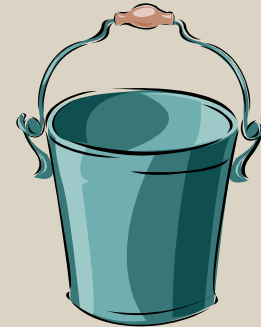
Wages  
Self-employment  
Interest  
Pensions  
IRA Distributions  
Rents & Royalties  
Social Security

## Qualified Dividends



Qualified Dividends  
generally mean  
dividends from domestic  
corporations

## Long Term Capital Gains



Long Term Capital  
generally, assets such  
as real estate  
(not business inventory)  
owned longer than 1  
year when sold



Obama'08  
BarackObama.com

**Ordinary Income:** The top two income tax brackets would return to their 1990's levels of 36% and 39.6%. All other tax brackets would remain as they are today. Obama would also restore the 1990's levels for the personal exemption and itemized deduction phase-outs.

**Capital Gains:** Families with incomes below \$250,000 will continue to pay the capital gains rates that they pay today. For those in the top two income tax brackets – likewise adjusted to affect only families over \$250,000 – Obama will create a new top capital gains rate of 20 percent.

**Dividends:** The top dividends rate for people making over \$250,000 would be set at 20 percent.





# December 17, 2010 – Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010



# What The Tax Act Really Means

## Penny's Top 10 Tax Picks

### Pick #1) Tax Rates – Ordinary Income

If Expired %	After Extension %
	10
15	15
28	25
31	28
36	33
39.6	35



# What The Tax Act Really Means

## Pick #2) Long Term Capital Gains

### **If Expired %**

Lowest Bracket = 10%

All Others = 20%

### **After Extension %**

Below 25% Bracket = 0

Above 25% Bracket = 15%



# What The Tax Act Really Means

## Pick #3) Qualified Dividends

If Expired %
15
28
31
36
39.6

After Extension  
15%



# Example #1

<b>2011</b>	<b>Jane (single)</b>	<b>Jane (single)</b>
W-2 Wages	70,000	70,000
Qualified Dividends	5,000	5,000
Adjusted Gross Income	75,000	75,000
Standard Deduction	(5,800)	(5,800)
Personal Exemptions	(3,700)	(3,700)
Taxable Income	65,500	65,500
<b>Tax without Extension</b>	<b>14,000</b>	
<b>Tax with Extension</b>		<b>12,600</b>



# Example #2

<b>2011</b>	<b>Mary &amp; John (MFJ)</b>	<b>Mary &amp; John (MFJ)</b>
Pension	100,000	100,000
Social Security	20,000	20,000
Qualified Dividends	30,000	30,000
LT Capital Gains	30,000	30,000
Adjusted Gross Income	180,000	180,000
Standard Deduction	(11,600)	(11,600)
Personal Exemptions	(7,400)	(7,400)
Taxable Income	161,000	161,000
<b>Tax without Extension</b>	<b>33,900</b>	
<b>Tax with Extension</b>		<b>26,700</b>



# Example #3

2011	Linda & Tom (MFJ)	Linda & Tom (MFJ)
Pension	165,000	165,000
Social Security	35,000	35,000
Qualified Dividends	50,000	50,000
LT Capital Gains	50,000	50,000
Adjusted Gross Income	300,000	300,000
Itemized Deduction	(20,900)	(21,100)
Personal Exemptions	(6,330)	(7,400)
Taxable Income	272,770	271,500
<b>Tax without Extension</b>	<b>65,900</b>	
<b>Tax with Extension</b>		<b>51,000</b>



# YIKES! What Happened?

	Jane	Mary & John	Linda & Tom
Tax Without Extension	14,000	33,900	65,900
Tax With Extension	12,600	26,700	51,000
Tax Savings	1,400	7,200	14,900
Tax Bracket Increase	10 – 15% 25 – 28%	10 – 15% 25 – 28%	10 – 15% 25 – 28% 28 – 31% 33 – 36%
Dividends	-0-	15 – 28%	15 - 36%
Capital Gains	-0-	15 – 20%	15 – 20%



# Jay Leno does the IRS

Worried about an IRS audit? Avoid what's called a red flag. For example, say you have some money left in your bank account after paying taxes. That's a red flag.

- Jay Leno



# Some of the Additional Benefits of “The Act”

- Phase-out = terminate gradually or planned discontinuance

Pick #4) Repeal of itemized deductions phase-out (Pease Limitation) – Kicks in AGI > 166,800

Pick #5) Repeal of the personal exemption phase-out (Pell Limitation) – Kicks in AGI > 166,800 or 250,200



# Phase-out - Itemized Deductions For Linda & Tom

	Actual	Deductible	AGI = 282,270
Medical	10,000	-	7.5% = 21,170
Taxes			
Real Estate	6,000	6,000	
Sales	1,750	1,750	
Mortgage Interest	-	-	
Charity	10,000	10,000	
Miscellaneous Advisor Fees	8,000		
Tax Preparation	2,000	4,355	2% = 5,645
<b>TOTAL</b>	<b>37,750</b>	<b>22,105</b>	
<b>BUT due to Phase-out only 20,905 allowed</b>			



# Some of the Additional Benefits of “The Act”

Pick #6) Child Tax Credit

Pick #7) Extended Marriage Penalty Relief

Pick #8) Education Credit



# Some of the Additional Benefits of “The Act”

Pick #9) Extends tax free distributions from IRA'S  
to charities

Pick #10) Reduced payroll taxes for employees  
and self-employed



# Tax and Benefits Provisions of the 2010 Health Care Act (as amended)

- Beginning 1/1/13 an additional “Hospital Insurance Tax” of .9% will be assessed on income earned in excess of 200,000 (single) or 250,000 (married)
- Also, as of 1/1/13, a 3.8% surtax will be imposed on the “net investment income” of higher income taxpayers (see above)
- Beginning 1/1/14, US Citizens and legal residents will have to maintain minimum essential health care coverage or pay a penalty



