

2009
Farm Income Tax School

SUMMARY OF TAX RATES, TABLES &
OFTEN USED ITEMS

ADDITIONAL MATERIALS

By: A. David Bibler
Lee E. Wilmarth
James L. Goodman

**FEDERAL INCOME TAX INFORMATION
FOR 2009 RETURNS PREPARED IN 2010**

STANDARD DEDUCTION 2009:

Married filing joint	\$11,400	Additional deduction if blind &/or	
Head of Household	8,350	65 or over (each):	
Single	5,700	Married/Qualifying Widow(er)	1,100
Married filing separately	5,700	Single/HOH	1,400
Qualifying widow(er)	11,400	Married filing separately	1,100

NOTE: For 2009 taxpayers who don't itemize are eligible for additional standard deduction for real property taxes paid. The additional standard deduction is the lesser of the real estate tax deduction, if the taxpayer itemized deductions, or \$500 (\$1,000 MFJ). **ALSO NOTE:** Additional standard deduction for sales tax paid on new vehicle purchases between 2/17/09 and 12/31/09 on first \$49,500 of cost per vehicle.

Standard deduction for dependent taxpayer equals the greater of \$950 or the sum of \$300 and dependent's earned income up to basic standard deduction of \$5700.

PERSONAL EXEMPTION

2009 - \$3,650
2010 - \$3,650

FOREIGN EARNED INCOME EXCLUSION

2009 - \$91,400
2010 - \$91,500

UNEMPLOYMENT COMPENSATION

Exclusion: 2009 ONLY - \$2,400
per individual taxpayer

SE HEALTH INSURANCE DEDUCTION

2009 and after - 100%

MILEAGE ALLOWANCES

	<u>1/1/09 → 12/31/09</u>	<u>1/1/10 - 12/31/10</u>
Business	55¢ per mile	¢ per mile
Medical/Moving	24¢ per mile	¢ per mile
Charity	14¢ per mile	¢ per mile
Charity (Iowa)	39¢ per mile	¢ per mile

Mail Carrier: 2009 and after: If actual expenses exceed equip. maintenance allowance, difference is misc. itemized deduction.

MEAL ALLOWANCE WITHOUT RECORDS

Transportation Industry: \$52 (except in high cost areas use \$58). **All Others:** \$45 (except in high cost areas use \$58). Reduce cost of meals by 50% and if employee, subject to 2% AGI floor since taken on Schedule A. For employees subject to D.O.T. hours of service rules, use 80% for 2009. (Rev. Proc. 2008-59) If a taxpayer is traveling away from home for only a portion of the day, the taxpayer may deduct 75% of the M&IE per diem rate or may prorate the deduction according to a consistently applied reasonable business practice.

2009 PRODUCTION COSTS FOR SELF USE

Beef \$99.00 cwt. Live weight (\$760/head)	Eggs \$.54 per dozen
Pork \$35.00 cwt. Live weight (\$92/head)	Milk \$ 11.70 cwt. (\$1.00/gal.)
Lamb \$64.50 cwt. Live weight (\$81/head)	Chicken \$1.39 per 4 lb. bird

(Add on for hired labor, high interest, purchased grain).

ESTIMATED TAX PAYMENT SAFE HARBOR
2009 AND LATER YEARS

When AGI is over \$150,000 for MFJ or \$75,000 for MFS the estimate to be 110% of prior years income tax or 90% of current year tax liability.

SECTION 179 EXPENSING

2009	\$250,000* (Federal) \$133,000 (Iowa)
2010	\$134,000**plus inflation adjustment
2011	\$ 25,000 plus inflation adjustment

* subject to reduction if more than \$800,000 of purchases
** subject to reduction at \$530,000
See limit of \$25,000 for heavy SUVs

DEPRECIATION RECAPTURE

Livestock - 1970 and after
Machinery - 1962 and after

VEHICLE DEPRECIATION 2009

	<u>Auto</u>	<u>Lt. truck/van</u>
Year 1	\$2,960/\$10,960*	\$3,060/\$11,060*
Year 2	4,800	4,900
Year 3	2,850	2,950
Years 4-6	1,775	1,775

New and used electric vehicles no longer have special depreciation limits.
*50% Bonus Depreciation limit - new autos \$10,960; new trucks/vans \$11,060

GASOLINE TAX RATES

<u>Iowa</u>	<u>Federal</u>
Gasoline - 21¢ 1/1/09 - 12/31/09	Gasoline - 18.3¢
Ethanol Blended Gasoline(10%) - 19¢	Ethanol Blended Gasoline(10%) - 18.3¢
E85-19.0¢ 1/1/09 - 12/31/09	

MAXIMUM DEDUCTIBLE 401(K) CONTRIBUTION

2009	\$16,500 / \$22,000*
2010	\$16,500 / \$22,000*

MAXIMUM DEDUCTIBLE SIMPLE PLAN

2009	\$11,500 / \$14,000*
2010	\$11,500 / \$14,000*

MAXIMUM IRA CONTRIBUTION

2009	\$5,000 / \$6,000*
2010	\$5,000 / \$6,000*

* Age 50 catch up contribution

LONG TERM CARE PREMIUM LIMIT PER PERSON FEDERAL

AGE	AMOUNT
0-40	\$ 320
Over 40-50	\$ 600
Over 50-60	\$1190
Over 60-70	\$3180
Over 70	\$3950

2009 excludable long term care per diem: \$280

Note: Iowa has no limitation on deductible amount.

CAPITAL GAINS TAX RATES

<u>Date of Sale</u>	<u>Holding Period</u>	<u>Taxpayer's ending rate</u>	
		<u>15%</u>	<u>25% and up</u>
Prior to 5/7/97	12 months	15%	28%
After 5/6/97 & Prior to 7/29/97	12 months	10%	20%
After 7/28/97 & Prior to 1/1/98	12 months	15%	28%
After 7/28/97 & Prior to 1/1/98	18 months	10%	20%
After 12/31/97 & Prior to 5/6/03	12 months	10%	20%
After 5/5/03 & Prior to 1/1/08 (incl. qualifying dividends)	12 months	5%	15%
After 12/31/07 & Prior to 1/1/11	12 months	0%	15%

For tax year 2001, 2002 and through May 5, 2003 8%/18% capital gain rates may be available if five year holding period is met. For sales after May 5, 2003, the rule is abolished. Gains on Sales of Collectibles are taxed at 28%. Section 1250 gains attributable to depreciation are taxed at a maximum rate of 25%.

DAY CARE PROVIDERS

Standard Meal/Snack Rates:	<u>2009</u>	<u>2010</u>
Breakfast	\$1.17	\$1.19
Lunch/Dinner	\$2.18	\$2.21
Snack	\$0.65	\$0.66
Add: non-food items (containers, paper products, utensils)		

UNEMPLOYMENT TAX

Non-Agricultural Employees - If one paid wages of \$1,500 or more in any calendar quarter or had one or more employees for some portion of at least one day during each of 20 different weeks.

Agricultural Employees - If cash wages of \$20,000 or more paid in any calendar quarter **OR** had 10 or more ag employees during some portion of a day (need not be at same time) at least 1 day during any 20 different weeks.

Domestic Employees - Wages of \$1,000 or more per quarter.

FUTA Tax - First \$7,000 of wages subject to tax rate of 6.2% less 5.4% credit, with difference of .8% being the applicable rate.

SUPPLEMENTAL SOCIAL SECURITY (SSI) MAXIMUM MONTHLY BENEFITS

	<u>Single</u>	<u>Couple</u>
2005	579	869
2006	603	904
2007	623	934
2008	637	956
2009	674	1,011
2010	674	1,011

COST OF MEDICARE

	<u>2009</u>	<u>2010</u>
Month	\$ 96.40*	\$ [REDACTED]*
Year	\$1156.00*	\$ [REDACTED]*

* subject to income based on AGI

2010 COLA for Social Security is 0%

SOCIAL SECURITY TAX & MEDICARE TAX

<u>Employee</u>	<u>Self-Employed</u>
.062	.1240
<u>.0145</u>	<u>.0290</u>
.0765	.1530

EXCLUSION OF SOCIAL SECURITY BENEFITS FROM TAXABLE INCOME

Joint return	\$32,000
Single return	\$25,000
Married, lived together filed separately	- 0 -

MAXIMUM EARNINGS ALLOWED SOCIAL SECURITY RECIPIENTS W/O PENALTY

<u>Year</u>	<u>Age 62 to 65*</u>	<u>Age 65 to 70</u>
2006	12,480	unlimited**
2007	12,960	unlimited**
2008	13,560	unlimited**
2009	14,160	unlimited**
2010	14,160	unlimited**

* Excess earnings result in loss of \$1 for each \$2 earned above ceiling if age 62- full retirement age.

** No limitation on earnings in and after the month in which a person attains full retirement age. If born in the years 1943 - 1954, full retirement age is 66 years.

Limitation for part of calendar year (during which reach full retirement age) up to the date of full retirement is \$37,680 for 2009 (\$3,140/mo.) and \$37,680 for 2010 \$3,140/mo. Excess earnings result in loss of \$1 for each \$3 earned above ceiling.

EARNED INCOME NECESSARY FOR SOC. SEC. CREDIT

'06 \$970 ¼ or \$3880 yr
'07 \$1000 ¼ or \$4000 yr
'08 \$1050 ¼ or \$4200 yr
'09 \$1090 ¼ or \$4360 yr
'10 \$1120 ¼ or \$4480 yr

MAXIMUM INCOME & TAX LIMITS

<u>Year</u>	<u>Maximum Taxable Income</u>	
	<u>Soc.Sec.</u>	<u>Medicare</u>
2006	94,200	No limit
2007	97,500	No limit
2008	102,000	No limit
2009	106,800	No limit
2010	106,800	No limit

FICA & SELF-EMPLOYMENT TAX

<u>Year</u>	<u>Maximum Wages</u>	<u>Employee W/H</u>	<u>Maximum W/H</u>	<u>Self-Emply.</u>
2006	94,200	7.65	7,206.30	15.30*
2007	97,500	7.65	7,458.75	15.30*
2008	102,000	7.65	7,803.00	15.30*
2009	106,800	7.65	8,170.20	15.30*
2010	106,800	7.65	8,170.20	15.30*

* ½ may be claimed as a deduction

2009 RETIREMENT PLAN TAX CREDIT (SAVERS CREDIT)

(Modified AGI)

<u>Joint</u>	<u>Head of Household</u>	<u>Single & MFS</u>	<u>Credit Rate</u>
0 - \$33,000	0 - \$24,750	0 - \$16,500	50%
33,001 - 36,000	24,751 - 27,000	16,501 - 18,000	20%
36,001 - 55,500	27,001 - 41,625	18,001 - 27,750	10%
Over 55,500	Over 41,625	Over 27,750	0%

HSA LIMITS

	<u>2009</u>	<u>2010</u>
MAXIMUM CONTRIBUTION:		
Individual	3,000	\$3,050
Family	5,950	\$6,150
MAXIMUM ANNUAL OUT OF POCKET EXPENSE:		
Individual	5,800	\$5,950
Family	11,600	\$11,900
MINIMUM DEDUCTIBLE AMOUNTS:		
Individual	1,150	\$1,200
Family	2,300	\$2,400
Add'l. catch-up amount (55 and Over)	1,000	\$1,000

EDUCATION CREDITS AND DEDUCTIONS

Hope Tax Credit n/k/a American Opportunity Tax Credit - 100% of first \$2,000 and 25% of next \$2,000 of eligible tuition, related expenses and course materials (e.g. books, etc.); maximum \$2,500 credit **per student** for each of first **four years** of post-secondary education. Measured by academic level on January 1st of each year. 40% of the credit or a maximum of \$1,000 is refundable unless student is subject to kiddie tax.

Lifetime Learning Credit - 20% of eligible tuition and related expenses up to a maximum of \$10,000 of such expenses. May claim for an unlimited number of years.

Both credits subject to AGI phase out rules. Must elect between Hope or Lifetime Learning Credit or Higher Education Expense Deduction.

Higher Education Expense Deduction - For 2009 may claim up to \$4,000 above the line deduction for qualified expenses. May claim a \$4,000 deduction if AGI 0 - \$130,000 MFJ. May claim up to \$2,000 above the line deduction if AGI is \$130,001-\$160,000. No phase-out.

Qualified Education Loan Interest Deduction - Above the Line Deduction is allowed up to \$2,500 in 2009.

CHILD TAX CREDIT

2009 - \$1000 per qualifying child under age 17 as of December 31st, subject to phase out limits based on AGI.

CHILD CARE CREDIT

Expenses must be incurred to be gainfully employed. Limit of \$3,000 for 1 child, \$6,000 for 2 or more. Can't exceed earned income of a single person or earned income of spouse with least amount of earned income. (NOTE: Spousal earned income exception for handicapped or full-time student spouse.) Qualifying child must be under 13 or mentally or physically incapable. Must furnish over half of expense of maintaining home for dependent. Use Form 2441. List name, address & social security number of each provider.

2009 EARNED INCOME CREDIT:

Need not be married or have dependents. Phase out, income and credit limits are:

Single or Head of Household

# Qualifying Children	Phase Out Income Limits	Maximum EIC Income Range	Maximum EIC
0	\$13,440	\$5,970 - 7,470	\$457
1	\$35,463	\$8,950 - 16,420	\$3,043
2 or more	\$40,295	\$12,570 - 16,420	\$5,028
3 or more	\$43,279	\$12,570 - 16,420	\$5,657

Married Filing Jointly

# Qualifying Children	Phase Out Income Limits	Maximum EIC Income Range	Maximum EIC
0	\$18,440	\$5,970 - 12,470	\$457
1	\$40,463	\$8,950 - 21,420	\$3,043
2 or more	\$45,295	\$12,570 - 21,420	\$5,028
3 or more	\$48,279	\$12,570 - 21,420	\$5,657

Disqualified income over \$3,100 - no credit. Use table.

EIC tables - <http://www.irs.gov/pub/irs-pdf/i1040gi.pdf> (pgs. 55-71)

2009 PHASE OUT OF PERSONAL EXEMPTION

<u>Filing Status</u>	<u>Phase Out Starts At (AGI)</u>	<u>Phase Out Completed (AGI)</u>
Joint or Qualified Widow(er)	\$250,200	\$372,700
Head of Household	208,500	331,000
Single	166,800	289,300
Married Filing Separately	125,100	186,350

NOTE: For each \$2,500 above the start of the phaseout range, increase taxable income by \$24 per \$2,500 multiple (\$73 x 1/3). For 2009, the calculated reduction is reduced by two-thirds.

2009 PHASE OUT OF ITEMIZED DEDUCTIONS

<u>Filing Status</u>	<u>Phase out Starts at AGI</u>
All except married filing separately	\$166,800
Married filing separately	83,400

For incomes above these limits itemized deductions are reduced by lesser of (1) 3% of AGI over \$166,800 (MFS \$83,400) or (2) 80% of itemized deductions otherwise allowable. For 2009, the calculated reduction is reduced by two-thirds. The effect is to increase the rate of a 35% rate taxpayer by .35% to 35.35% - in addition to the phaseout of the personal exemption.

IOWA INCOME TAX RATES FOR 2009

Use the tax tables if income on line 42 is \$95,450 or less.

If income on line 42 is over \$95,450, multiply the excess over \$95,425 by 8.98% (.0898) and add it to \$6,884.00

EXEMPTION CREDIT:	Taxpayer/Spouse:	\$40
	Dependent:	\$40
	Blind/Over 65:	\$20

EXCLUSION: \$6,000 per taxpayer of pension benefits excluded - joint 12,000 (does not include social security).

2009 IOWA STANDARD DEDUCTION
(After deducting federal income tax)

\$1,780 - Married filing separately (amount for each spouse)
1,780 - Single
4,390 - Joint, surviving spouse or unmarried head of household

Standard deduction cannot create a minus figure. Deduct all health and long-term care insurance premiums as a Page 1 deduction to arrive at Iowa net income. Note: This is substantially different as compared with the federal rules.

College Savings Plan (§529) - 2009 deductible amount for Iowa purposes \$2,800 per beneficiary.

Marginal tax rates for individuals are the same as set forth under Iowa Estates and Trusts.

FEDERAL INCOME TAX RATES FOR 2009

Married Filing Jointly/Qualifying Widower

<u>Taxable Income</u>		<u>Tax Rate</u>
<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$16,700	10.0%
	16,700 to \$67,900	\$ 1,670.00 + 15.0%
	67,900 to 137,050	9,350.00 + 25.0%
	137,050 to 208,850	26,637.50 + 28.0%
	208,850 to 372,950	46,741.50 + 33.0%
	372,950 & over	100,984.50 + 35.0%

Single

<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$ 8,350	10.0%
	8,350 to 33,950	\$ 835.00 + 15.0%
	33,950 to 82,250	4,675.00 + 25.0%
	82,250 to 171,550	16,750.00 + 28.0%
	171,550 to 372,950	41,754.00 + 33.0%
	372,950 & over	108,216.00 + 35.0%

Head of Household

<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$11,950	10.0%
	11,950 to 45,500	\$ 1,195.00 + 15.0%
	45,500 to 117,450	6,227.50 + 25.0%
	117,450 to 190,200	24,215.00 + 28.0%
	190,200 to 372,950	44,585.00 + 33.0%
	372,950 & over	104,892.50 + 35.0%

Married Filing Separately

<u>Over</u>	<u>But Not Over</u>	
\$	0 to \$ 8,350	10.0%
	8,350 to 33,950	\$ 835.00 + 15.0%
	33,950 to 68,525	4,675.00 + 25.0%
	68,525 to 104,425	13,318.75 + 28.0%
	104,425 to 186,475	23,370.75 + 33.0%
	186,475 & over	50,447.25 + 35.0%

EXEMPTIONS FROM ALTERNATIVE MINIMUM TAX

	<u>2009</u>
Joint Return/Qualifying Widower	\$70,950
Single	\$46,700
Married, filing separately	\$35,475
Child subject to Kiddie Tax	\$ 6,700
	(plus child's earned income)

ALTERNATIVE MINIMUM INCOME TAX (LESS EXEMPTION)

(up to \$175,000)	26%
(over \$175,000)	28%
(\$87,500 if married, filing separately)	

2009 TAX RATES FOR ESTATES & TRUSTS

<u>2009 Federal</u>		<u>2009 State of Iowa</u>	
<u>Taxable Income</u>	<u>Tax Rate</u>	<u>Taxable Income</u>	<u>Tax Rate*</u>
		But	
		Over Not Over	
\$ 0 to \$2,300	15%	\$ 0 to \$1,407	\$0.00 + 0.36%
2,300 to 5,350	\$ 345.00 + 25.0%	1,407 to 2,814	5.07 + 0.72%
5,350 to 8,200	1,107.50 + 28.0%	2,814 to 5,628	15.20 + 2.43%
8,200 to 11,150	1,905.50 + 33.0%	5,628 to 12,663	83.58 + 4.50%
11,150 and over	2,879.00 + 35.0%	12,663 to 21,105	400.16 + 6.12%
		21,105 to 28,140	916.81 + 6.48%
		28,140 to 42,210	1,372.68 + 6.80%
		42,210 to 63,315	2,329.44 + 7.92%
		63,315 and over	4,000.96 + 8.98%

*Less \$40 Exemption Credit

2009 FEDERAL TAX RATES FOR CORPORATIONS

<u>Over</u>	<u>But Not Over</u>	<u>The Tax Is</u>	<u>Of The Amount Over</u>
\$ 0 to	\$50,000	15%	0
50,000 to	75,000	\$ 7,500.00 + 25.0%	50,000
75,000 to	100,000	13,750.00 + 34.0%	75,000
100,000 to	335,000	22,250.00 + 39.0%	100,000
335,000 to	10,000,000	113,900.00 + 34.0%	335,000
10,000,000 to	15,000,000	3,400,000.00 + 35.0%	10,000,000
15,000,000 to	18,333,333	5,150,000.00 + 38.0%	15,000,000
18,333,333		6,416,667.00 + 35.0%	18,333,333

The 1992 tax act imposed a 35% marginal tax rate on corporate taxable income in excess of \$10 million. The maximum rate of tax on corporate net capital gains is also 35%, as is the rate for personal service corporations. The 35% marginal rate is effective for taxable years beginning on or after 1/1/93.

A corporation with taxable income in excess of \$15 million is required to increase its tax liability by the lesser of 3% of the excess or \$100,000 to recapture the benefits of the 34% rate. This provision effectively creates a 38% rate for corporate taxable income between \$15 million and \$18,333,333.

2009 IOWA TAX RATES FOR CORPORATIONS

<u>Taxable Income</u>	<u>Tax Rate</u>
Under \$25,000	6% of taxable income
\$25,000 to \$100,000	8% of taxable income and subtract \$ 500
\$100,000 to \$250,000	10% of taxable income and subtract \$2,500
Over \$250,000	12% of taxable income and subtract \$7,500

STANDARD DEDUCTION - FILING REQUIREMENTS FOR 2009

Assumes no additional standard deductions from real estate taxes or new vehicle purchases.

<u>Filing Status</u>	<u>Standard Deduction</u>	<u>Must File If Income Over</u>
Single and:		
Under 65	\$ 5,700	\$9,350
65 or over	7,100	10,750
Under 65 & blind	7,100	10,750
65 or over & blind	8,500	12,150
Married Filing Jointly and:		
Both spouses under 65, neither blind	11,400	18,700
One spouse 65 or over	12,500	19,800
Both spouses 65 or over	13,600	20,900
One spouse blind, both under 65	12,500	19,800
Both spouses blind, both under 65	13,600	20,900
One spouse 65 or over & blind	13,600	20,900
One 65 or over, other under 65 & blind	13,600	20,900
One 65 or over, blind; one under 65, blind	14,700	22,000
Both spouses 65 or over & blind	15,800	23,100
Qualifying Widow(er) and:		
Under 65	11,400	15,050
Under 65 & blind	12,500	16,150
65 or over	12,500	16,150
65 or over & blind	13,600	17,250
Head of Household and:		
Under 65	8,350	12,000
Under 65 & blind	9,750	13,400
65 or over	9,750	13,400
65 or over & blind	11,150	14,800
Married Filing Separately and:		
Under 65	5,700	9,350
Under 65 & blind	6,800	10,450
65 or over	6,800	10,450
65 or over & blind	7,900	11,550
Married, Living Apart at End of 2009	----	3,650
Individual With Tax Year of Less Than 12 Months	----	3,650
Children/Other Dependents and:		
No unearned income	5,700	5,700
Unearned income of more than \$1	*	*

*(the greater of \$950 or the individual's earned income plus \$300)

If you are 65 on January 1, 2010, you are entitled to the age 65 exemption for your 2009 tax returns.

Continued, next page

STANDARD DEDUCTIONS NEEDED FOR
NET OPERATING LOSS CARRYBACK

	<u>Joint</u>	<u>H.H.</u>	<u>Single</u>	<u>Married/Sep'ly</u>
1999	7,200	6,350	4,300	3,600 @
2000	7,350	6,450	4,400	3,675 #
2001	7,600	6,650	4,550	3,800 %
2002	7,850	6,900	4,700	3,925 ^
2003	9,500	7,000	4,750	4,750 &
2004	9,700	7,150	4,850	4,850 *
2005	10,000	7,300	5,000	5,000 +
2006	10,300	7,550	5,150	5,150 +
2007	10,700	7,850	5,350	5,350 =
2008	10,900	8,000	5,450	5,450 <
2009	11,400	8,350	5,700	5,700 >

@ ADD: \$850 if married filing joint or separately & over 65.
\$1,050 if single or H.H. & over 65.

ADD: \$850 if married filing joint or separately & over 65.
\$1,100 if single or H.H. & over 65.

% ADD: \$900 if married filing joint or separately & over 65.
\$1,100 if single or H.H. & over 65.

^ ADD: \$900 if married filing joint or separately & over 65.
\$1,150 if single or H.H. or over 65.

& ADD: \$950 if married filing joint or separately & over 65
\$1,150 if single or H.H. or over 65.

* ADD: \$950 if married filing joint or separately & over 65
\$1,200 if single or H.H. or over 65.

+ ADD: \$1,000 if married filing joint or separately & over 65
\$1,250 if single or H.H. or over 65.

= ADD: \$1,050 if married filing joint or separately & over 65
\$1,300 if single or H.H. or over 65.

< ADD: \$1,050 if married filing joint or separately & over 65
\$1,350 if single or H.H. or over 65

> ADD: \$1,100 if married filing joint or separately & over 65
\$1,400 if single or H.H. or over 65

PERSONAL EXEMPTIONS

1999	\$2750	2005	\$3200
2000	\$2800	2006	\$3300
2001	\$2900	2007	\$3400
2002	\$3000	2008	\$3500
2003	\$3050	2009	\$3650
2004	\$3100	2010	\$3650

**2009 MODIFIED ADJUSTED GROSS INCOME
THRESHOLD AMOUNTS/PHASEOUT RANGE**

Single/Head of Household (HOH)

Modified AGI Threshold Amounts/Phaseout Range	Description	Maximum Credit/Deduction
\$ 7,500 - \$17,500	Elderly/disabled credit	
\$15,000 - \$43,000	Dependent care credit (20% min. credit)	35% reduced 1% for each \$2,000 over AGI amount
\$25,000 - \$34,000 = 50% \$34,000 - above = 85%	Social Security Benefits taxation	
\$50,000 - \$60,000	Hope Credit (Midwest Disaster Area eligibility only)	\$1,800 x 2 = \$3,600
\$50,000 - \$60,000	Lifetime Learning Credit	\$2,000
\$55,000 - \$65,000	IRA deduction (if pension coverage)	\$5,000 max contrib. \$1000 catch-up age 50 and over
\$60,000 - \$75,000	Education loan interest exp.	\$2,500
\$ 0 - \$65,000 \$65,001 - \$80,000 Over \$80,000	Tuition Deduction	\$4,000 \$2,000 \$ 0
\$69,950 - \$84,950	U.S. Savings Bond Interest exclusion	To extent of qualified Education expense
\$75,000 - \$ 94,001	Child Tax Credit:(1 child)	\$ 1000*
\$75,000 - \$114,001	(2 children)	\$ 2000*
\$75,000 - \$134,001	(3 children)	\$ 3000*
\$75,000 - \$95,000	First Time Homebuyer Credit (through 11/30/09)	Lesser of \$8000 or 10% of purchase price
\$80,000 - \$90,000	American Opportunity Credit	\$2,500
\$95,000 - \$110,000	Coverdale Education Savings Account (CESA) (Education IRA)	\$2,000
\$100,000 (no limitation after 12/31/09)	Rollover to Roth IRA	
\$100,000 - \$109,000	Mortgage Insurance Premium Deduction	Mtg. ins. contracts issued after 1-1-07 (prin. & 2 nd resid.)
\$100,000 - \$150,000	Passive rental loss (\$25,000) exception	
\$105,000 - \$120,000	Roth IRA	\$5,000 max contrib. \$1000 catch-up age 50 and over
\$112,500 - \$247,500	AMT exemption	
\$166,800	Beginning of itemized deduction reduction **	
\$166,800 - \$289,300(single) \$208,500 - \$331,000 (HOH)	Personal exemption Reduction **	
\$182,180 - \$222,180	Adoption credit/exclusion	\$12,150

* Under 17 as of December 31, 2009.

**For 2008-2009, the calculated reduction is reduced by two-thirds.

**2009 MODIFIED ADJUSTED GROSS INCOME
THRESHOLD AMOUNTS/PHASEOUT RANGE**

Married Filing Jointly	Description	Married Filing Separately
\$10,000 - \$25,000	Elderly/disabled Credit	\$5,000 - \$12,500
\$15,000 - \$43,000	Dependent care credit	No credit
\$32,000 - 44,000 = 50% \$44,000 - above = 85%	Social security benefits taxation	No threshold exemption unless lived apart from spouse entire tax yr.
\$89,000 - \$109,000	IRA deduction (if both active participant pension coverage)	\$0 - \$10,000
\$100,000 (no limitation after 12/31/09)	Rollover to Roth IRA	Not allowed
\$100,000 - \$109,000	Mortgage Insurance Premium Deduction	\$50,000 - \$54,500
\$100,000 - \$120,000	Hope Credit (Midwest Disaster Area eligibility only)	\$1,800 x 2 = \$3,600
\$100,000 - \$120,000	Lifetime Learning Credit	No Credit
\$100,000 - \$150,000	Passive rental loss (\$25,000) exception	\$50,000 - \$75,000 (See spec. rules)
\$ 0 - \$130,000 \$130,001 - \$160,000 Over \$160,000	\$4,000 Tuition Deduction \$2,000 Tuition Deduction \$ 0 Tuition Deduction	No Deduction
\$104,900 - \$134,900	U.S. savings bond interest exclusion (qualified educ. exp.)	No exclusion
\$110,000 - \$129,001	Child tax credit: (1 child) \$1000*	\$55,000 - \$74,001
\$110,000 - \$149,001	(2 children)\$2000*	\$55,000 - \$94,001
\$110,000 - \$169,001	(3 children)\$3000*	\$55,000 - \$114,001
\$120,000 - \$150,000	Education loan interest expense	No deduction
\$150,000 - \$170,000 (credit max = \$8,000)	First Time Homebuyer Credit (thru 11/30/09)	\$75,000 - \$95,000 (credit max = \$4,000)
\$150,000 - \$330,000	AMT exemption	\$75,000 - \$165,000
\$160,000 - \$180,000	American Opportunity Credit	No Credit
\$166,000 - \$176,000	IRA deduction if only one spouse has pension coverage	\$0 - \$10,000
\$166,000 - \$176,000	Roth IRA	\$0 - \$10,000
\$166,800	Beginning of itemized deduction reduction **	\$83,400
\$182,180 - \$222,180	Adoption credit/exclusion	No credit/exclusion
\$190,000 - \$220,000	Coverdale Education Savings Account (CESA) (Education IRA)	\$95,000 - \$110,000
\$250,200 - \$372,700	Personal exemption reduction **	\$125,100 -\$186,350

* Under 17 as of December 31, 2009

** For 2009, the calculated reduction is reduced by two-thirds.

PLANNING & FORM 1041 FOR 2009

QUESTION: Would it be advisable to pay income tax within the estate or trust, with the 15% bracket being only the first \$2,300 after exemptions (\$600 for estate; \$300 for simple trust) with taxes escalating up to 35% as income reaches \$11,150?

ANSWER: ABSOLUTELY NOT! Under current tax rates for estates and trusts, seriously consider passing income out to the beneficiaries and issuing a Form K-1 to the individual so they can pay tax at a much more favorable rate. See below:

TRUST

Exemption	\$ 300
15% Bracket	2,300
(Next \$3,050 @ 25%)	\$ 2,600

ESTATE

Exemption	\$ 600
15% Bracket	2,300
(Next \$3,050 @ 25%)	\$ 2,900

SINGLE PERSON

Standard Deduction (Add \$1,400 if 65)	\$ 5,700
Exemption	3,650
10% Bracket 0-\$ 8,350	8,350
15% Bracket \$8,350-\$33,950	25,600
(Next \$48,300 @25%)	\$43,300

JOINT RETURN

Standard Deduction (Add \$1,100 if 65)	\$11,400
Exemptions (2) (\$3,650 x 2)	7,300
10% Bracket 0-\$16,700	16,700
15% Bracket \$16,700-\$67,900	51,200
(Next \$69,150 @25%)	\$86,600

THE 15% TAX WINDOW THE BENEFICIARY SHOULD TAKE ADVANTAGE OF



TRUST-\$2,600

ESTATE-\$2,900

SINGLE-\$43,300

JOINT-\$86,600

FORM W-2: BOX 12 CODES

- Code A: Uncollected social security or RRTA tax on tips
- Code B: Uncollected Medicare tax on tips
- Code C: Cost of group term life insurance over \$50,000
- Code D: Elective deferrals to an IRC §401(k) cash or deferral arrangement (includes SIMPLE 401(k))
- Code E: Elective deferrals to an IRC §403(b) salary reduction agreement
- Code F: Elective deferrals under an IRC §408(k)(6) salary reduction SEP
- Code G: Elective deferrals and employer contributions (including nonelective deferrals) to an IRC §457(b) deferred compensation plan
- Code H: Elective deferrals to an IRC §501(c)(18)(D) tax exempt organization plan
- Code J: Nontaxable sick pay
- Code K: 20% excise tax on excess golden parachute payments
- Code L: Substantiated employee business expense reimbursements
- Code M: Uncollected social security or RRTA tax on cost of group term life insurance over \$50,000 (for former employees)
- Code N: Uncollected Medicare tax on taxable cost of group term life insurance over \$50,000 (for former employees)
- Code P: Excludable moving expense reimbursements paid directly to employee
- Code Q: Nontaxable combat pay
- Code R: Employer contributions to an Archer MSA
- Code S: Employee salary reduction contributions under an IRC §408(p) SIMPLE retirement account
- Code T: Adoption benefits
- Code V: Income from the exercise of nonstatutory stock options
- Code W: Employer contributions to an employee's Health Savings Account (HSA)
- Code Y: Deferrals under IRC §409A nonqualified deferred compensation plan
- Code Z: Income under IRC §409A on a nonqualified deferred compensation plan
- Code AA: Designated Roth contributions to an IRC §401(k) plan
- Code BB: Designated Roth contributions under an IRC §403(b) salary reduction agreement

FORM 1099-R: BOX 7 -- DISTRIBUTION CODES

- Code 1: Early distribution, no known exception (in most cases, under age 59½) See Form 5329
- Code 2: Early distribution, exception applies (under age 59½)*
- Code 3: Disability*
- Code 4: Death*
- Code 5: Prohibited transaction – prohibited or improper use of account. The account is no longer an IRA.
- Code 6: IRC §1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts)
- Code 7: Normal distribution
- Code 8: Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in current year
- Code 9: Cost of current life insurance protection (premiums paid by a trustee or custodian for current insurance protection, taxable to you currently)
- Code A: May be eligible for 10-year tax option for computing tax on lump-sum distributions. See Form 4972
- Code B: Designated Roth account distribution (not a qualified distribution)
- Code D: Excess contributions plus earnings/excess deferrals taxable in 2007
- Code E: Excess annual additions under IRC §415 and certain excess amounts under IRC §403(b) plans. Report on Form 1040/1040A on the line for taxable pension or annuity income*
- Code F: Charitable gift annuity
- Code G: Direct rollover to a qualified plan, a tax-sheltered annuity IRC §403(b), a governmental IRC §457(b) plan, or an IRA
- Code H: Direct rollover of a designated Roth account distribution to a Roth IRA
- Code J: Early distribution from a Roth IRA, no known exception (in most cases, under age 59½). Report on Forms 1040 and 8606 and see Form 5329
- Code L: Loans treated as deemed distributions under IRC §72(p)
- Code N: Recharacterized IRA contribution made for 2009 and recharacterized in 2009 Report on Form 1040/1040A and Form 8606, if applicable
- Code P: Excess contributions plus earnings/excess deferrals taxable in 2008
- Code Q: Roth IRA qualified distribution. You are age 59½ or over and meet the 5-year holding period for a Roth IRA
- Code R: Recharacterized IRA contribution made for 2008 and recharacterized in 2009
- Code S: Early distribution from a SIMPLE IRA in first 2 years, no known exception (under age 59½). May be subject to an additional 25% tax. See Form 5329
- Code T: Roth IRA distribution, exception applies. You are either age 59½ (or over) or an exception (code 3 or 4) applies (not sure if 5-year holding period has been met)
- Code U: Dividends distributed from an ESOP under IRC §404(k) – not eligible for rollover

*You are not required to file Form 5329.

MARGINAL TAX RATE INCREASE CHART

The following chart summarizes the various marginal tax rate increases which may be of significance at various tax bracket levels:

Possible Marginal Rate Impact
TAX BRACKETS

	15%	25%	28%	33%	35%
Exemption phase-out (NOTE: For 2008-09 calculated reduction is reduced by 2/3)	---	---	+0.2688	+0.3168	+0.3360
Itemized deduction phase-out (3% rate) (NOTE: For 2008-09 calculated reduction is reduced by 2/3)	---	---	+0.28%	+0.33%	+0.35%
SS benefits phase-in: 50% tier	+7.50%	+12.50%	---	---	---
85% tier	+12.75%	+21.25%	---	---	---
Rental loss phase-out	---	+12.50%	+14.00%	+16.50%	---

FOR EXAMPLE: The itemized deduction phase-out at the top brackets increases the marginal tax rate as follows:

Phase-out (3% less 2/3)	1%	1%
Tax Rate	x 33.0%	x 35.0%
Marginal Rate Increase	.33%	.35%

EQUIVALENT YIELDS: TAX-EXEMPT VS. TAXABLE INVESTMENTS

For These Tax-Exempt Yields	These Are Equivalent Taxable Yields When Marginal Tax Rate Is:				
	15%	25%	28%	33%	35%
3.0%	3.52	4.00	4.17	4.48	4.62
3.5%	4.12	4.67	4.86	5.22	5.38
4.0%	4.71	5.33	5.56	5.97	6.15
4.5%	5.29	6.00	6.25	6.72	6.92
5.0%	5.88	6.67	6.94	7.46	7.69
5.5%	6.47	7.33	7.64	8.21	8.46
6.0%	7.06	8.00	8.33	8.96	9.23
6.5%	7.65	8.67	9.03	9.70	10.00
7.0%	8.24	9.33	9.72	10.45	10.77
7.5%	8.82	10.00	10.42	11.19	11.54
8.0%	9.41	10.67	11.11	11.94	12.31
8.5%	10.00	11.33	11.81	12.69	13.08
9.0%	10.59	12.00	12.50	13.43	13.85
9.5%	11.18	12.67	13.19	14.18	14.62
10.0%	11.76	13.33	13.89	14.93	15.38