



Jim Lange's 2011-2012 Tax Planning Card

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HOW to COMPUTE YOUR FEDERAL INCOME TAX

Example: For a married couple in 2011 with taxable income of \$70,000, refer to the *MARRIED FILING JOINTLY* section of the 2011 chart listed below. See \$69,001 - 139,350 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$7,750 = \$9,750$$

CALCULATION of TAXABLE INCOME

To determine taxable income, please follow these steps:

1. List your total income. (*U.S. Form 1040, Line 22*)
2. Subtract adjustments to income, which include allowable IRA and retirement plan deductions, alimony paid and one-half of self-employment tax. (*Line 36*)
3. You now have your adjusted gross income, AGI. (*Line 37*)
4. Subtract the larger of the standard deduction or your itemized deductions. (*Line 40*)
5. Subtract your deduction for personal exemptions. (*Line 42*)
6. Arrive at taxable income. (*Line 43*)
7. Insert taxable income into the appropriate table below.
8. Make adjustments for dividends and capital gains.

2011 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 17,000 | x 10% | - \$ 0 | = Tax |
| 17,001 - 69,000 | x 15% | - 850 | = Tax |
| 69,001 - 139,350 | x 25% | - 7,750 | = Tax |
| 139,351 - 212,300 | x 28% | - 11,931 | = Tax |
| 212,301 - 379,150 | x 33% | - 22,546 | = Tax |
| 379,151 and above | x 35% | - 30,129 | = Tax |

SINGLE

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 8,500 | x 10% | - \$ 0 | = Tax |
| 8,501 - 34,500 | x 15% | - 425 | = Tax |
| 34,501 - 83,600 | x 25% | - 3,875 | = Tax |
| 83,601 - 174,400 | x 28% | - 6,383 | = Tax |
| 174,401 - 379,150 | x 33% | - 15,103 | = Tax |
| 379,151 and above | x 35% | - 22,686 | = Tax |

HEAD of HOUSEHOLD

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 12,150 | x 10% | - \$ 0 | = Tax |
| 12,151 - 46,250 | x 15% | - 608 | = Tax |
| 46,251 - 119,400 | x 25% | - 5,233 | = Tax |
| 119,401 - 193,350 | x 28% | - 8,815 | = Tax |
| 193,351 - 379,150 | x 33% | - 18,483 | = Tax |
| 379,151 and above | x 35% | - 26,066 | = Tax |

MARRIED FILING SEPARATELY

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 8,500 | x 10% | - \$ 0 | = Tax |
| 8,501 - 34,500 | x 15% | - 425 | = Tax |
| 34,501 - 69,675 | x 25% | - 3,875 | = Tax |
| 69,676 - 106,150 | x 28% | - 5,965 | = Tax |
| 106,151 - 189,575 | x 33% | - 11,273 | = Tax |
| 189,576 and above | x 35% | - 15,064 | = Tax |

2012 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 17,400 | x 10% | - \$ 0 | = Tax |
| 17,401 - 70,700 | x 15% | - 870 | = Tax |
| 70,701 - 142,700 | x 25% | - 7,940 | = Tax |
| 142,701 - 217,450 | x 28% | - 12,221 | = Tax |
| 217,451 - 388,350 | x 33% | - 23,094 | = Tax |
| 388,351 and above | x 35% | - 30,861 | = Tax |

SINGLE

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 8,700 | x 10% | - \$ 0 | = Tax |
| 8,701 - 35,350 | x 15% | - 435 | = Tax |
| 35,351 - 85,650 | x 25% | - 3,970 | = Tax |
| 85,651 - 178,650 | x 28% | - 6,539 | = Tax |
| 178,651 - 388,350 | x 33% | - 15,472 | = Tax |
| 388,351 and above | x 35% | - 23,239 | = Tax |

HEAD of HOUSEHOLD

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 12,400 | x 10% | - \$ 0 | = Tax |
| 12,401 - 47,350 | x 15% | - 620 | = Tax |
| 47,351 - 122,300 | x 25% | - 5,355 | = Tax |
| 122,301 - 198,050 | x 28% | - 9,024 | = Tax |
| 198,051 - 388,350 | x 33% | - 18,926 | = Tax |
| 388,351 and above | x 35% | - 26,693 | = Tax |

MARRIED FILING SEPARATELY

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 8,700 | x 10% | - \$ 0 | = Tax |
| 8,701 - 35,350 | x 15% | - 435 | = Tax |
| 35,351 - 71,350 | x 25% | - 3,970 | = Tax |
| 71,351 - 108,725 | x 28% | - 6,111 | = Tax |
| 108,726 - 194,175 | x 33% | - 11,547 | = Tax |
| 194,176 and above | x 35% | - 15,431 | = Tax |

Net long-term capital gains and qualified dividends will reduce computed Quick Calc tax liability, while the alternative minimum tax will increase it.

Should You Make a Roth IRA Conversion?

Your current and future tax brackets are an integral factor to be considered in the decision to convert a portion or even all of your IRA to a Roth IRA. For more information on Roth IRA conversions, please see Jim Lange's newest book, *The Roth Revolution: Pay Taxes Once and Never Again*.

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PERSONAL EXEMPTIONS

Personal exemptions are the amount you may deduct for yourself, your spouse, and your dependents.

For 2011 and 2012, the personal exemption deductions are \$3,700 and \$3,800, respectively.

In 2011, there is no reduction of personal exemptions for high income taxpayers.

2011 and 2012 STANDARD DEDUCTIONS

The standard deduction is the amount you may deduct if you do not itemize your deductions.

| | 2011 Standard Deduction | 2011 + Age 65 or Over or Blind (EACH) | 2012 Standard Deduction | 2012 + Age 65 or Over or Blind (EACH) |
|---------------------------|-------------------------------|--|-------------------------------|--|
| Married Filing Jointly | | | | |
| Qualifying Widow(er) | \$ 11,600 | \$ 1,150 | \$11,900 | \$ 1,150 |
| Single | 5,800 | 1,450 | 5,950 | 1,450 |
| Head of Household | 8,500 | 1,450 | 8,700 | 1,450 |
| Married Filing Separately | 5,800 | 1,150 | 5,950 | 1,150 |

PENNSYLVANIA INCOME TAXES

PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2011 and 2012.

PA Corporate Tax

The Corporate Tax rate is 9.99% for 2011 and 2012. The Capital Stock Tax rate is 2.89 mills for 2011 and 1.89 mills for 2012.

SOCIAL SECURITY/SELF-EMPLOYMENT TAX

| | Taxable Wages | (%) | Maximum Amount | S.E. (%) | Maximum S.E. |
|------|-------------------|---------|----------------|----------|--------------|
| 2012 | \$ 0 - 110,100 | 5.65%** | \$ 6,221 | 13.3% | \$14,643 |
| 2012 | 110,101 and above | 1.45% | unlimited | 2.9% | unlimited |

The normal three components of the Social Security Tax are:

| | |
|-------------------------------|--------|
| 1. Social Security Tax | 5.60% |
| 2. Disability | .60% |
| 3. Medicare Hospital | 1.45% |
| Paid by Employees & Employers | 7.65%* |

* The Self-Employment Tax is twice this amount. Also please note that one-half of the self-employment tax is deductible as an adjustment to income.

** Note: The 2% reduction in Social Security Tax is currently applicable until February 29, 2012 unless Congress extends the reduction beyond that date.

ESTATE and INHERITANCE TAXES

Pennsylvania Inheritance Tax

Transfers to lineal heirs (such as children, grandchildren, parents and grandparents) are taxed at 4½%. Transfers to siblings are taxed at 12% and all other transfers (except transfers to charity) are taxed at 15%.

Pennsylvania still allows unlimited tax-free transfers to spouses.

Federal Estate and Gift Tax

The federal government allows unlimited transfers to spouses who are American citizens.

In 2011, the maximum amount that can be transferred from an estate to non-spouses without incurring federal estate taxes is \$5,000,000 per individual or \$10,000,000 per married couple.

In 2012, that maximum amount increases to \$5,120,000 per individual or \$10,240,000 per married couple.

In both 2011 and 2012, gift tax exclusions per donee are \$13,000/year.

The lifetime gift exemption has been increased from \$5,000,000 to \$5,120,000 as of 2012.

2011 and 2012 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

| Plan Type | 2011 | 2011 Age 50 or Over | 2012 | 2012 Age 50 or Over |
|--|----------|---------------------------|----------|---------------------------|
| Roth IRA | \$ 5,000 | \$ 6,000 | \$ 5,000 | \$ 6,000 |
| IRA | 5,000 | 6,000 | 5,000 | 6,000 |
| SEP (Self-Employed) | 49,000 | 49,000 | 50,000 | 50,000 |
| SEP (Employee) | 49,000 | 49,000 | 50,000 | 50,000 |
| 403(b)/Roth 403(b) (Employee) | 16,500 | 22,000 | 17,000 | 22,500 |
| 401(k)/Roth 401(k) (Employee) | 16,500 | 22,000 | 17,000 | 22,500 |
| Self-Employed Profit Sharing/401(k)'s* | 49,000 | 54,500 | 50,000 | 55,500 |
| Single Person 401(k) Plan* | 49,000 | 54,500 | 50,000 | 55,500 |
| SIMPLE | 11,500 | 14,000 | 11,500 | 14,000 |

*401(k) plan limits include elective deferral contributions.



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James Lange CPA/Attorney, is the president of three inter-related companies:

1. A law firm that prepares wills, trusts and IRA and Roth IRA beneficiary designations
2. A CPA firm that prepares tax returns
3. An investment advisory firm that provides strategic planning and money management services

Jim is a nationally recognized IRA expert, speaker, and author of three bestselling books: *Retire Secure!* (Wiley, 2006 and 2009) and *The Roth Revolution, Pay Taxes Once and Never Again.*

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