



Jim Lange's 2006-2007 Tax Planning Card

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HOW to COMPUTE YOUR FEDERAL INCOME TAX

Example: For a married couple in 2006 with taxable income of \$70,000, refer to the *MARRIED FILING JOINTLY* section of the 2006 chart listed below. See \$61,301 - 123,700 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$6,885 = \$10,615$$

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/SEP/Keogh 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.

2006 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 15,100 | x 10% | - \$ 0 | = Tax |
| 15,101 - 61,300 | x 15% | - 755 | = Tax |
| 61,301 - 123,700 | x 25% | - 6,885 | = Tax |
| 123,701 - 188,450 | x 28% | - 10,596 | = Tax |
| 188,451 - 336,550 | x 33% | - 20,019 | = Tax |
| 336,551 and above | x 35% | - 26,750 | = Tax |

SINGLE

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 7,550 | x 10% | - \$ 0 | = Tax |
| 7,551 - 30,650 | x 15% | - 378 | = Tax |
| 30,651 - 74,200 | x 25% | - 3,443 | = Tax |
| 74,201 - 154,800 | x 28% | - 5,669 | = Tax |
| 154,801 - 336,550 | x 33% | - 13,409 | = Tax |
| 336,551 and above | x 35% | - 20,140 | = Tax |

HEAD of HOUSEHOLD

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 10,750 | x 10% | - \$ 0 | = Tax |
| 10,751 - 41,050 | x 15% | - 538 | = Tax |
| 41,051 - 106,000 | x 25% | - 4,643 | = Tax |
| 106,001 - 171,650 | x 28% | - 7,823 | = Tax |
| 171,651 - 336,550 | x 33% | - 16,406 | = Tax |
| 336,551 and above | x 35% | - 23,137 | = Tax |

MARRIED FILING SEPARATELY

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 7,550 | x 10% | - \$ 0 | = Tax |
| 7,551 - 30,650 | x 15% | - 378 | = Tax |
| 30,651 - 61,850 | x 25% | - 3,443 | = Tax |
| 61,851 - 94,225 | x 28% | - 5,299 | = Tax |
| 94,226 - 168,275 | x 33% | - 10,010 | = Tax |
| 168,276 and above | x 35% | - 13,376 | = Tax |

2007 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 15,650 | x 10% | - \$ 0 | = Tax |
| 15,651 - 63,700 | x 15% | - 783 | = Tax |
| 63,701 - 128,500 | x 25% | - 7,153 | = Tax |
| 128,501 - 195,850 | x 28% | - 11,008 | = Tax |
| 195,851 - 349,700 | x 33% | - 20,800 | = Tax |
| 349,701 and above | x 35% | - 27,794 | = Tax |

SINGLE

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 7,825 | x 10% | - \$ 0 | = Tax |
| 7,826 - 31,850 | x 15% | - 391 | = Tax |
| 31,851 - 77,100 | x 25% | - 3,576 | = Tax |
| 77,101 - 160,850 | x 28% | - 5,889 | = Tax |
| 160,851 - 349,700 | x 33% | - 13,932 | = Tax |
| 349,701 and above | x 35% | - 20,926 | = Tax |

HEAD of HOUSEHOLD

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 11,200 | x 10% | - \$ 0 | = Tax |
| 11,201 - 42,650 | x 15% | - 560 | = Tax |
| 42,651 - 110,100 | x 25% | - 4,825 | = Tax |
| 110,101 - 178,350 | x 28% | - 8,128 | = Tax |
| 178,351 - 349,700 | x 33% | - 17,046 | = Tax |
| 349,701 and above | x 35% | - 24,040 | = Tax |

MARRIED FILING SEPARATELY

| Taxable Income (\$) | x% | Less (\$) | = Tax |
|---------------------|-------|-----------|-------|
| \$ 0 - 7,825 | x 10% | - \$ 0 | = Tax |
| 7,826 - 31,850 | x 15% | - 391 | = Tax |
| 31,851 - 64,250 | x 25% | - 3,576 | = Tax |
| 64,251 - 97,925 | x 28% | - 5,504 | = Tax |
| 97,926 - 174,850 | x 33% | - 10,400 | = Tax |
| 174,851 and above | x 35% | - 13,897 | = Tax |

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



Jim's book, *Retire Secure! Pay Taxes Later* (Wiley 2006), has been endorsed by over 30 financial professionals and recommended by *Kiplinger* and the Pennsylvania Institute of CPAs. Please visit our web site www.retiresecure.com to order your copy and receive a free CD.

PERSONAL EXEMPTIONS

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

For 2006 and 2007, the personal exemption deductions are \$3,300 and \$3,400, respectively.

High income taxpayers will suffer phase-outs of their exemptions and dependents.

2006 and 2007 STANDARD DEDUCTIONS

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

| | 2006 Standard Deduction | 2006 + Age 65 or Over or Blind (EACH) | 2007 Standard Deduction | 2007 + Age 65 or Over or Blind (EACH) |
|---------------------------|-------------------------------|--|-------------------------------|--|
| Married Filing Jointly | \$ 10,300 | \$ 1,000 | \$10,700 | \$ 1,050 |
| Qualifying Widow(er) | | | | |
| Single | 5,150 | 1,250 | 5,350 | 1,300 |
| Head of Household | 7,550 | 1,250 | 7,850 | 1,300 |
| Married Filing Separately | 5,150 | 1,000 | 5,350 | 1,050 |

PENNSYLVANIA INCOME TAXES

PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2006 and 2007.

PA Corporate Tax

The Corporate Tax rate is 9.99% for 2006. The Capital Stock Tax rate is 4.89 and 3.89 mills for 2006 and 2007, respectively.

SOCIAL SECURITY/SELF-EMPLOYMENT TAX

| | Taxable Wages | (%) | Maximum Amount | S.E. (%) | Maximum S.E. |
|------|------------------|-------|----------------|----------|--------------|
| 2007 | \$ 0 - 97,500 | 7.65% | \$ 7,459 | 15.3% | \$14,918 |
| 2007 | 97,501 and above | 1.45% | unlimited | 2.9% | unlimited |

Please note there are three components of Social Security Tax:

| | |
|-------------------------------|--------|
| 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.

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 tax-free transfers to spouses during life and at death.

Federal Estate and Gift Tax

The federal government allows unlimited marital deduction for surviving spouses who are American citizens.

The amount from an estate that can be transferred at death without incurring federal estate taxes, will increase according to the following schedule:

| | |
|------|------------|
| 2006 | 2,000,000 |
| 2007 | 2,000,000 |
| 2008 | 2,000,000 |
| 2009 | 3,500,000 |
| 2010 | *See Below |
| 2011 | 1,000,000 |

The gift tax exclusions per donee are \$12,000/year in 2006 and 2007.

* Full repeal of estate tax; gift tax at top income tax rate

2006 and 2007 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

| Plan Type | 2006 | 2006 Age 50 or Over | 2007 | 2007 Age 50 or Over |
|--|----------|---------------------------|----------|---------------------------|
| Roth IRA | \$ 4,000 | \$ 5,000 | \$ 4,000 | \$ 5,000 |
| IRA | \$ 4,000 | \$ 5,000 | \$ 4,000 | \$ 5,000 |
| SEP (Self-Employed) | 44,000 | 44,000 | 45,000 | 45,000 |
| SEP (Employee) | 44,000 | 44,000 | 45,000 | 45,000 |
| 403(b)/Roth 403(b)* (Employee) | 15,000 | 20,000 | 15,500 | 20,500 |
| Self-Employed Profit Sharing (Keogh) | 44,000 | 44,000 | 45,000 | 45,000 |
| Self-Employed Money Purchase (Keogh) | 44,000 | 44,000 | 45,000 | 45,000 |
| 401K/Roth 401K* (Employee & Self-Employed) | 15,000 | 20,000 | 15,500 | 20,500 |
| SIMPLE | 10,000 | 12,500 | 10,500 | 13,000 |

*Roth 403(b)/401K effective January 1, 2006



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James Lange provides the following services:

- Retirement and estate planning
- Financial and investment services
- Traditional accounting and tax return preparation
- Drafting wills and trusts
- Life insurance planning

Jim is the author of *Retire Secure! Pay Taxes Later* (Wiley 2006) an Amazon bestseller in retirement and tax planning. Larry King calls the book "One of the best books about saving taxes I've ever read." Charles Schwab refers to it as "A road map for tax efficient retirement and estate planning." Please visit retiresecure.com for additional information.

With your best interest in mind,

James Lange
Certified Public Accountant, Attorney at Law

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