



# Jim Lange's 2010-2011 Tax Planning Card

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## HOW to COMPUTE YOUR FEDERAL INCOME TAX

**Example:** For a married couple in 2010 with taxable income of \$70,000, refer to the *MARRIED FILING JOINTLY* section of the 2010 chart listed below. See \$68,001 - 137,300 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$7,637 = \$9,863$$

## 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.

### 2010 QUICK CALC

#### MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x	x%	Less (\$)	= Tax
\$ 0 - 16,750	x	10%	\$ 0	= Tax
16,751 - 68,000	x	15%	837	= Tax
68,001 - 137,300	x	25%	7,637	= Tax
137,301 - 209,250	x	28%	11,756	= Tax
209,251 - 373,650	x	33%	22,218	= Tax
373,651 and above	x	35%	29,691	= Tax

#### SINGLE

Taxable Income (\$)	x	x%	Less (\$)	= Tax
\$ 0 - 8,375	x	10%	\$ 0	= Tax
8,376 - 34,300	x	15%	418	= Tax
34,301 - 82,400	x	25%	3,848	= Tax
82,401 - 171,850	x	28%	6,320	= Tax
171,851 - 373,650	x	33%	14,913	= Tax
373,651 and above	x	35%	22,386	= Tax

#### HEAD of HOUSEHOLD

Taxable Income (\$)	x	x%	Less (\$)	= Tax
\$ 0 - 11,950	x	10%	\$ 0	= Tax
11,951 - 45,550	x	15%	597	= Tax
45,551 - 117,650	x	25%	5,152	= Tax
117,651 - 190,550	x	28%	8,681	= Tax
190,551 - 373,650	x	33%	18,209	= Tax
373,651 and above	x	35%	25,682	= Tax

#### MARRIED FILING SEPARATELY

Taxable Income (\$)	x	x%	Less (\$)	= Tax
\$ 0 - 8,375	x	10%	\$ 0	= Tax
8,376 - 34,000	x	15%	418	= Tax
34,001 - 68,650	x	25%	3,818	= Tax
68,651 - 104,625	x	28%	5,877	= Tax
104,626 - 186,825	x	33%	11,108	= Tax
186,826 and above	x	35%	14,845	= Tax

### 2011 QUICK CALC

#### MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x	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	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	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	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

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 2010 and 2011, the personal exemption deductions are \$3,650 and \$3,700, respectively.

In 2010 and 2011, there is no reduction of personal exemptions for high income taxpayers.

## 2010 and 2011 STANDARD DEDUCTIONS

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

	2010 Standard Deduction	2010 + Age 65 or Over or Blind (EACH)	2011 Standard Deduction	2011 + Age 65 or Over or Blind (EACH)
Married Filing Jointly				
Qualifying Widow(er)	\$ 11,400	\$ 1,100	\$11,600	\$ 1,150
Single	5,700	1,400	5,800	1,450
Head of Household	8,400	1,400	8,500	1,450
Married Filing Separately	5,700	1,100	5,800	1,150

## PENNSYLVANIA INCOME TAXES

### PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2010 and 2011.

### PA Corporate Tax

The Corporate Tax rate is 9.99% for 2010. The Capital Stock Tax rate is 2.89 mills for 2010 and 2011.

## SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2011	\$ 0 - 106,800	5.65%**	\$ 6,034	13.3%	\$14,204
2011	106,801 and above	1.45%	unlimited	2.9%	unlimited

Except for 2011, 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 for one-year only in 2011.

## 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 2010, an unlimited amount can be transferred from an estate to non-spouses at death without incurring federal estate taxes.

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 both 2010 and 2011, gift tax exclusions per donee are \$13,000/year.

The lifetime gift exemption has been increased from \$1,000,000 to \$5,000,000 as of 2011.

## 2010 and 2011 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2010	2010 Age 50 or Over	2011	2011 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	49,000	49,000
SEP (Employee)	49,000	49,000	49,000	49,000
403(b)/Roth 403(b) (Employee)	16,500	22,000	16,500	22,000
401(k)/Roth 401(k) (Employee)	16,500	22,000	16,500	22,000
Self-Employed Profit Sharing/401(k)'s*	49,000	54,500	49,000	54,500
Single Person 401(k) Plan*	49,000	54,500	49,000	54,500
SIMPLE	11,500	14,000	11,500	14,000

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



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Jim is a nationally-known IRA, retirement plan and Roth IRA conversion expert. Jim wrote the best selling first and second editions of *Retire Secure!* and *The Roth Revolution: Pay Taxes Once and Never Again*. His books are endorsed by Charles Schwab, Jane Bryant Quinn, Larry King, Ed Slott and many others. Jim has been quoted 30 times in *The Wall Street Journal*.

People looking for speakers – including DVDs and live workshops covering Roth IRA conversions or estate planning – please visit [www.retiresecure.com](http://www.retiresecure.com).

The archives and transcripts of Jim's radio show are also available at [www.retiresecure.com](http://www.retiresecure.com). The archives include interviews with Jane Bryant Quinn and IRA experts Ed Slott, Natalie Choate & Bob Keebler.

With your best interest in mind,

**James Lange**

Certified Public Accountant, Attorney at Law

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