



# Jim Lange's 2013-2014 Tax Planning Card

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## HOW to COMPUTE YOUR FEDERAL INCOME TAX

**Example:** For a married couple in 2013 with taxable income of \$75,000, refer to the *MARRIED FILING JOINTLY* section of the 2013 chart listed below. See \$72,501 - 146,400 and calculate as follows:

$$\$75,000 \times 25\% = \$18,750 - \$8,143 = \$10,607$$

## 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.

### 2013 QUICK CALC

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

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 17,850	x 10%	- \$ 0	= Tax
17,851 - 72,500	x 15%	- 893	= Tax
72,501 - 146,400	x 25%	- 8,143	= Tax
146,401 - 223,050	x 28%	- 12,535	= Tax
223,051 - 398,350	x 33%	- 23,688	= Tax
398,351 - 450,000	x 35%	- 31,655	= Tax
450,001 and above	x 39.6%	- 52,355	= Tax

#### SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,925	x 10%	- \$ 0	= Tax
8,926 - 36,250	x 15%	- 446	= Tax
36,251 - 87,850	x 25%	- 4,071	= Tax
87,851 - 183,250	x 28%	- 6,707	= Tax
183,251 - 398,350	x 33%	- 15,870	= Tax
398,351 - 400,000	x 35%	- 23,837	= Tax
400,001 and above	x 39.6%	- 42,237	= Tax

#### HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 12,750	x 10%	- \$ 0	= Tax
12,751 - 48,600	x 15%	- 638	= Tax
48,601 - 125,450	x 25%	- 5,498	= Tax
125,451 - 203,150	x 28%	- 9,262	= Tax
203,151 - 398,350	x 33%	- 19,420	= Tax
398,351 - 425,000	x 35%	- 27,387	= Tax
425,001 and above	x 39.6%	- 46,937	= Tax

#### MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,925	x 10%	- \$ 0	= Tax
8,926 - 36,250	x 15%	- 446	= Tax
36,251 - 73,200	x 25%	- 4,072	= Tax
73,201 - 111,525	x 28%	- 6,268	= Tax
111,526 - 199,175	x 33%	- 11,845	= Tax
199,176 - 225,000	x 35%	- 15,829	= Tax
225,001 and above	x 39.6%	- 26,179	= Tax

### 2014 QUICK CALC

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

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 18,150	x 10%	- \$ 0	= Tax
18,151 - 73,800	x 15%	- 908	= Tax
73,801 - 148,850	x 25%	- 8,288	= Tax
148,851 - 226,850	x 28%	- 12,754	= Tax
226,851 - 405,100	x 33%	- 24,097	= Tax
405,101 - 457,600	x 35%	- 32,199	= Tax
457,601 and above	x 39.6%	- 53,249	= Tax

#### SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 9,075	x 10%	- \$ 0	= Tax
9,076 - 36,900	x 15%	- 454	= Tax
36,901 - 89,350	x 25%	- 4,144	= Tax
89,351 - 186,350	x 28%	- 6,825	= Tax
186,351 - 405,100	x 33%	- 16,143	= Tax
405,101 - 406,750	x 35%	- 24,245	= Tax
406,751 and above	x 39.6%	- 42,956	= Tax

#### HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 12,950	x 10%	- \$ 0	= Tax
12,951 - 49,400	x 15%	- 648	= Tax
49,401 - 127,550	x 25%	- 5,588	= Tax
127,551 - 206,600	x 28%	- 9,415	= Tax
206,601 - 405,100	x 33%	- 19,745	= Tax
405,101 - 432,200	x 35%	- 27,847	= Tax
432,201 and above	x 39.6%	- 47,729	= Tax

#### MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 9,075	x 10%	- \$ 0	= Tax
9,076 - 36,900	x 15%	- 454	= Tax
36,901 - 74,425	x 25%	- 4,144	= Tax
74,426 - 113,425	x 28%	- 6,377	= Tax
113,426 - 202,550	x 33%	- 12,049	= Tax
202,551 - 228,800	x 35%	- 16,100	= Tax
228,801 and above	x 39.6%	- 26,625	= Tax

#### 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, please see Jim's newest book, *The Roth Revolution: Pay Taxes Once and Never Again*.

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

For tax years 2013 and 2014, the surtax on net investment income will also increase the tax liability for higher income taxpayers.

## PERSONAL EXEMPTIONS

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

For 2013 and 2014, the personal exemption deductions are \$3,900 and \$3,950, respectively.

In 2013, there is a reduction of personal exemptions for high income taxpayers.

## 2013 and 2014 STANDARD DEDUCTIONS

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

	2013 Standard Deduction	2013 + Age 65 or Over or Blind (EACH)	2014 Standard Deduction	2014 + Age 65 or Over or Blind (EACH)
Married Filing Jointly or Qualifying Widow(er)	\$ 12,200	\$ 1,200	\$12,400	\$ 1,200
Single	6,100	1,500	6,200	1,550
Head of Household	8,950	1,500	9,100	1,550
Married Filing Separately	6,100	1,200	6,200	1,200

## PENNSYLVANIA INCOME TAXES

### PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2013 and 2014.

### PA Corporate Tax

The Corporate Tax rate is 9.99% for 2013 and 2014. The Capital Stock Tax rate is 0.89 mills for 2013 and 0.67 mills for 2014.

### Pittsburgh Income Tax

The Pittsburgh individual earned income tax rate remains at 3% for 2013 and 2014 for city residents.

## SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2014	\$ 0 - 115,500	7.65%	\$ 8,836	15.3%	\$17,672
2014	115,501 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: An additional Medicare Tax Rate of 0.9% is applied to self-employment income and wages over threshold amounts after December 31, 2012.

## 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 2014, the maximum amount that can be transferred from an estate to non-spouses without incurring any federal estate taxes is \$5,340,000 per individual or \$10,680,000 per married couple.

In 2014, the gift tax exclusion per donee is \$14,000/year.

The lifetime gift exemption increases to \$5,250,000 in 2013 and \$5,340,000 in 2014.

## 2013 and 2014 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2013	2013 Age 50 or Over	2014	2014 Age 50 or Over
Roth IRA	\$ 5,500	\$ 6,500	\$ 5,500	\$ 6,500
IRA	5,500	6,500	5,500	6,500
SEP (Self-Employed)	51,000	51,000	52,000	52,000
SEP (Employee)	51,000	51,000	52,000	52,000
403(b)/Roth 403(b) (Employee)	17,500	23,000	17,500	23,000
401(k)/Roth 401(k) (Employee)	17,500	23,000	17,500	23,000
Self-Employed Profit Sharing/401(k)'s*	51,000	56,500	52,000	57,500
Single Person 401(k) Plan*	51,000	56,500	52,000	57,500
SIMPLE	12,000	14,500	12,000	14,500

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



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