

e-Pocket TAX TABLES 2009 and 2010

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2009 INCOME AND PAYROLL TAX RATES

amounts rounded to the nearest whole dollar

SINGLE TAXPAYER RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 8,350	0	10%	0
\$ 8,350	33,950	\$ 835	15%	\$ 8,350
33,950	82,250	4,675	25%	33,950
82,250	171,550	16,750	28%	82,250
171,550	372,950	41,754	33%	171,550
372,950	—	108,216	35%	372,950

TRUSTS AND ESTATES RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 2,300	0	15%	0
\$ 2,300	5,350	\$ 345	25%	\$ 2,300
5,350	8,200	1,108	28%	5,350
8,200	11,150	1,906	33%	8,200
11,150	—	2,879	35%	11,150

HEAD OF HOUSEHOLD RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 11,950	0	10%	0
\$ 11,950	45,500	\$ 1,195	15%	\$ 11,950
45,500	117,450	6,228	25%	45,500
117,450	190,200	24,215	28%	117,450
190,200	372,950	44,585	33%	190,200
372,950	—	104,893	35%	372,950

SOCIAL SECURITY PAYROLL TAX

	Maximum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	\$106,800	6.2%	\$ 6,622
Self-Employed	106,800	12.4%	13,243

MARRIED FILING JOINTLY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 16,700	0	10%	0
\$ 16,700	69,700	\$ 1,670	15%	\$ 16,700
69,700	137,050	9,350	25%	69,700
137,050	208,850	26,638	28%	137,050
208,850	372,950	46,742	33%	208,850
372,950	—	100,895	35%	372,950

MEDICARE PART A PAYROLL TAX

	Maximum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	Unlimited	1.45%	—
Self-Employed	Unlimited	2.90%	—

MARRIED FILING SEPARATELY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 8,350	0	10%	0
\$ 8,350	33,950	\$ 835	15%	\$ 8,350
33,950	68,525	4,675	25%	33,950
68,525	104,425	13,319	28%	68,525
104,425	186,475	23,371	33%	104,425
186,475	—	50,447	35%	186,475

2010 INCOME AND PAYROLL TAX RATES

amounts rounded to the nearest whole dollar

SINGLE TAXPAYER RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 8,375	0	10%	0
\$ 8,375	34,000	\$ 838	15%	\$ 8,375
34,000	82,400	4,681	25%	34,000
82,400	171,850	16,781	28%	82,400
171,850	373,650	41,827	33%	171,850
373,650	—	108,421	35%	373,650

TRUSTS AND ESTATES RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 2,300	0	15%	0
\$ 2,300	5,350	\$ 345	25%	\$ 2,300
5,350	8,200	1,108	28%	5,350
8,200	11,200	1,906	33%	8,200
11,200	—	2,896	35%	11,200

HEAD OF HOUSEHOLD RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 11,950	0	10%	0
\$ 11,950	45,550	\$ 1,195	15%	\$ 11,950
45,550	117,650	6,235	25%	45,550
117,650	190,550	24,260	28%	117,650
190,550	373,650	44,672	33%	190,550
373,650	—	105,095	35%	373,650

SOCIAL SECURITY PAYROLL TAX

	Maximum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	\$106,800	6.2%	\$ 6,622
Self-Employed	106,800	12.4%	13,243

MARRIED FILING JOINTLY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 16,750	0	10%	0
\$ 16,750	68,000	\$ 1,675	15%	\$ 16,750
68,000	137,300	9,363	25%	68,000
137,300	209,250	26,688	28%	137,300
209,250	373,650	46,834	33%	209,250
373,650	—	101,086	35%	373,650

MEDICARE PART A PAYROLL TAX

	Maximum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	Unlimited	1.45%	—
Self-Employed	Unlimited	2.90%	—

MARRIED FILING SEPARATELY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
0	\$ 8,375	0	10%	0
\$ 8,375	34,000	\$ 838	15%	\$ 8,375
34,000	68,650	4,681	25%	34,000
68,650	104,625	13,344	28%	68,650
104,625	186,825	23,417	33%	104,625
186,825	—	50,543	35%	186,825

CORPORATIONS (FOR ALL TAX YEARS SINCE 1993)

If Taxable Income is:

Over	But not over	Flat amount	+%	Of excess over
\$ 0	\$ 50,000	\$ 0	15%	\$ 0
50,000	75,000	7,500	25%	50,000
75,000	100,000	13,750	34%	75,000
100,000	335,000	22,250	39%	100,000
335,000	10,000,000	113,900	34%	335,000
10,000,000	15,000,000	3,400,000	35%	10,000,000
15,000,000	18,333,333	5,150,000	38%	15,000,000
18,333,333	And Over	6,416,667	35%	18,333,333

ALTERNATIVE MINIMUM TAX

Taxpayers are subject to an “alternative minimum tax” (AMT) instead of the regular income tax when they have substantial “preference income.” This is income that is treated favorably under the regular income tax. Basically, the taxpayer must pay whichever tax is higher — the regular tax or the AMT.

Filing Status	2009 Exemption	2010 Exemption
Single or head of household	\$46,700	\$33,750
Married filing jointly	\$70,950	\$45,000
Married filing separately	\$35,475	\$22,500

The exemption amounts are phased out for higher-income taxpayers.

AMT Income in Excess of Exemption	AMT Rate
First \$175,000*	26%
Above \$175,000*	28%

*\$87,500 for married persons filing separately.

KIDDIE TAX (UNDER AGE 19 WITH UNEARNED INCOME)

	2009	2010	Income Tax Bracket
First	\$950	\$950	No Tax
Next	\$950	\$950	Child's Bracket
Amounts Over	\$1,900	\$1,900	Parent's Bracket

The “kiddie tax” includes children ages 18 and under. In addition, the kiddie tax applies to children age 19-23 who are: 1) full-time students, 2) whose earned income does not exceed one-half of their support, and 3) who do not file a joint return.

INCOME TAXATION OF SOCIAL SECURITY BENEFITS

Retired taxpayers with incomes over certain threshold amounts are subject to income tax on their Social Security retirement benefits. The special tax base for determining whether a taxpayer's benefits are subject to tax equals one-half of Social Security benefits, plus all other income, including tax-exempt income. The dollar thresholds below are not indexed to inflation.

Filing Status	Tax Base	% of Benefits Taxed
Single or head of household	\$25,000 - \$34,000	50%
	Over \$34,000	85%
Married filing jointly	\$32,000 - \$44,000	50%
	Over \$44,000	85%
Married filing separately	Depends on whether the spouses live together during the tax year	

For example, a married couple filing jointly has an adjusted gross income of \$30,000, tax-exempt interest of \$3,000, and receives \$24,000 in Social Security benefits. The special tax base for the couple equals \$45,000, and \$6,850 of the Social Security benefits are taxable (.50 x \$12,000 = \$6,000; .85 of \$1,000 = \$850; total \$6,850).

PERSONAL EXEMPTION

Amount. The personal exemption amount that a taxpayer may claim for himself and each of his dependents is set at \$3,650 in 2009 and 2010. For example, in 2010, a married couple with two dependent children file a joint tax return and claim four personal exemptions for a total of \$14,600. A taxpayer (usually a child) cannot claim a personal exemption if he or she can be claimed as a dependent by another (usually a parent).

Reduction of Personal Exemption Amount in 2009. Personal exemptions claimed must be reduced by 2% for every \$2,500 (\$1,250 for married filing separately) or fraction thereof of adjusted gross income (AGI) in excess of the following amount:

Taxpayer Status	AGI Level at which Reduction Begins
Single	\$166,800
Married filing jointly	\$250,200
Head of household	\$208,500
Married filing separately	\$125,100

However, this reduction is subject to a phase-out. In 2009, the reduction amount is multiplied by 1/3 or 33.3%. Suppose you are single taxpayer and had an AGI of \$226,800 and claimed a personal exemption (\$3,650). Your exemption would be reduced initially by 48% ($\$60,000 \div \$2,500 \times 2\%$), or \$1,752. But this reduction is itself reduced according to the applicable fraction for 2009 ($\$1,752 \times 33.3\%$) and so equals \$583. As a result, you can claim \$3,067 for the personal exemption rather than \$3,650.

Reduction of Personal Exemption Amount in 2010. No reduction of the personal exemption amount; any taxpayer may claim the full amount regardless of adjusted gross income.

STANDARD DEDUCTION

Amount. The standard deduction is a flat amount that a taxpayer may deduct in lieu of itemizing deductions. The 2009 and 2010 standard deduction amount for each taxpayer category is:

Taxpayer Status	2009 Standard Deduction	2010 Standard Deduction
Single	\$5,700	\$5,700
Married filing jointly	\$11,400	\$11,400
Head of household	\$8,350	\$8,400
Married filing separately	\$5,700	\$5,700

Age 65 or Blind. Taxpayers who are age 65 or over, or who are blind, may take an additional standard deduction of \$1,100 if married, or \$1,400 if single, provided they do not itemize.

Dependents. Taxpayers (usually children) who are claimed as dependents on another's (usually parents') tax return may only take a standard deduction of the greater of (1) \$950 or (2) \$300 plus earned income (up to the regular standard deduction amount).

Real Property Taxes. In 2009, taxpayers who do not itemize deductions may claim an additional standard deduction for state or local real property taxes paid – up to \$500 for a single taxpayer or \$1,000 for taxpayers filing jointly. In 2010, this deduction is not available.

ITEMIZED DEDUCTIONS

Interest Expense. Most personal interest paid is not deductible, with certain important exceptions:

Deductible	Not Deductible
1. Mortgage interest on up to two residences	1. Auto loan interest
2. Points on home mortgages	2. Credit card interest
3. Home equity loan interest up to \$100,000	3. Most other consumer loan interest
4. Business interest	4. Prepaid interest other than points on home mortgages
5. Investment interest up to net investment income	

State and Local Taxes. Itemizers may deduct state and local income taxes. In 2009, itemizers may choose to deduct state and local sales and use taxes instead of state and local income taxes. Also, itemizers may deduct state and local real property taxes and personal property taxes. However, taxpayers may not deduct state and local taxes in calculating the AMT unless they are deductible in computing adjusted gross income ("above the line" deductions, not itemized).

Medical and Dental Expenses. Expenses paid for nearly all medical, dental and vision care during the

year, and not reimbursed by insurance or other means, are deductible by itemizers to the extent that the total of such expenses exceeds 7.5% of AGI.

Losses. Individuals can deduct three basic types of losses: 1) business losses incurred in the taxpayer's unincorporated business, 2) investment losses if the investment was originally motivated by profit, and 3) casualty and theft losses, but each separate loss is reduced by \$100, and the total of such losses is only deductible to the extent it exceeds 10% of AGI.

Reduction of Itemized Deductions in 2009. Itemized deductions must be reduced by 3% of AGI in excess of \$166,800 (\$83,400 for married filing separately). However, the maximum reduction is 80%. A few categories of itemized deductions are not subject to the reduction: medical expenses, casualty and theft losses, investment interest expense and gambling losses. Furthermore, this reduction amount is subject to a gradual phase-out; in 2009, the reduction amount is multiplied by an applicable fraction of $\frac{1}{3}$, or 33.3%.

Suppose your AGI is \$266,800 and you have \$29,000 of itemized deductions subject to the reduction. You would lose \$1,000 of your itemized deductions, leaving \$28,000 of itemized deductions:

- \$100,000 in excess of AGI limit of \$166,800 • 3% of \$100,000 = \$3,000 reduction
- \$3,000 reduction subject to 33.3% applicable fraction = \$1,000
- \$29,000 itemized deductions reduced by \$1,000 = \$28,000

Reduction of Itemized Deductions in 2010. No reduction of the itemized deduction amount; any taxpayer may deduct the full amount regardless of adjusted gross income (other statutory limitations notwithstanding).

CAPITAL GAINS AND DIVIDENDS

Maximum Tax Rate on Long-Term Capital Gains. The maximum tax rate on net long-term capital gains for individual taxpayers is 15% (except the long-term capital gains tax rate for taxpayers in the 15% or 10% tax brackets is 0%).

Holding Period. The long-term rate generally applies to gains on the sale of capital assets held for "more than one year."

Short-Term Capital Gains. Net short-term capital gains (on sales of capital assets held for one year or less) are taxed at ordinary income rates.

Collectibles. Long-term capital gain from the sale of collectibles is taxed at a top rate of 28%.

Capital Losses. After capital gains and losses are netted against one another, any remaining net capital loss may be used to offset ordinary income up to \$3,000 per year. Any excess net capital loss may be carried over and used in future years.

Sale of a Principal Residence. A seller of any age who has used real property as a principal residence for at least two of the last five years can exclude from gross income up to \$250,000 (\$500,000 if married filing jointly) of gain realized on a sale.

Maximum Tax Rate on Most Corporate Dividends. The top federal income tax rate on most corporate dividends received by individual taxpayers is 15% (0% for taxpayers in the 15% or 10% tax brackets).

DEDUCTION FOR CONTRIBUTIONS TO PUBLIC CHARITIES

Type of Property Contributed	Deemed Amount of Contribution	Percentage Limitation ¹
Cash	Actual dollar amount	50%
Appreciated ordinary income property ² or appreciated short-term capital gain property ³	Donor's tax basis	50%
Appreciated long-term capital gain property ⁴		
(a) General rule	Fair market value	30%
(b) Election made to reduce amount of contribution	Donor's tax basis	50%
(c) Tangible personal property put to unrelated use by donee charity	Donor's tax basis	50%

¹ The applicable "percentage limitation" applies to the donor's contribution base which is the donor's adjusted gross income (AGI) determined without regard to any net operating loss carryback. The limitation is applied on an annual basis. Any deductible contributions that exceed the current year's limitations may be carried over and deducted in the five succeeding tax years, subject to the percentage limitations in those years.

² "Ordinary income property" is property that would produce ordinary income if sold by the individual.

³ "Short-term capital gain property" is property that would produce short-term capital gain if sold by the individual.

⁴ "Long-term capital gain property" is property that would produce long-term capital gain if sold by the individual.

DOLLAR LIMITS FOR QUALIFIED RETIREMENT PLANS

	2009	2010
Defined Contribution Plans - Annual additions limit for defined contribution plans [IRC Sec. 415(c)]	\$49,000	\$49,000
Defined Benefit Plans - Annual benefit limit for defined benefit plans [IRC Sec. 415(b)]	\$195,000	\$195,000
401 (k) - Annual limit on deferrals [IRC Sec. 402(g)]	\$16,500	\$16,500
403 (b) - Annual limit on deferrals [IRC Sec. 402(g)]	\$16,500	\$16,500
Salary Reduction SEPs (SARSEPs) - Annual limit on elective deferral [IRC Sec. 402(g)]	\$16,500	\$16,500
Plus: age 50+ catch-up	\$5,500	\$5,500
Maximum Annual Compensation - Amount of employee compensation that may be taken into account by plan formula (QRpPs, 403(b), SEPs) [IRC Sec. 401(a)(17)]	\$245,000	\$245,000
Nondiscrimination Rules - For “highly compensated employees” [IRC Sec. 414(q)(1)]	\$110,000	\$110,000
Annual Compensation Subject to SEP Discrimination Rules - [IRC Sec. 408(k)(3)(c)]	\$245,000	\$245,000
Compensation Threshold for SEP Participation - [IRC Sec. 408(k)(2)(c)]	\$550	\$550
Annual Limit On Elective Deferrals to SIMPLE Plans - [IRC Sec. 408(p)(2)(c)(a)(ii)]	\$11,500	\$11,500
Plus: age 50+ catch-up	\$2,500	\$2,500
Annual Limit On Elective Deferrals to 457 Plans - [IRC Sec. 457(b)(2)(c)(1)]	\$16,500	\$16,500
Plus: age 50+ catch-up	\$5,500	\$5,500

Traditional IRA

Contribution Limit – The lesser of \$5,000 (\$6,000 for taxpayers age 50+) or, earned income.

Deduction Limit on Qualified Retirement Plan Participants

- Taxpayers who do not participate in qualified retirement plans can deduct contributions to an IRA up to the lesser of \$5,000 (\$6,000 for taxpayers age 50+) or, earned income.
- Taxpayers who do participate in qualified retirement plans may be subject to a reduced deduction based on modified adjusted gross income (MAGI).
- In 2009, the MAGI phase-out of the deduction for single taxpayers begins at \$55,000 and the deduction is lost at \$65,000. The MAGI phase-out of the deduction for married taxpayers filing jointly begins at \$89,000 and the deduction is lost at \$109,000.
- In 2010, the MAGI phase-out of the deduction for single taxpayers begins at \$56,000 and the deduction is lost at \$66,000. The MAGI phase-out of the deduction for married taxpayers filing jointly begins at \$89,000 and the deduction is lost at \$109,000.

Roth IRA

Contribution Limit – The lesser of \$5,000 (\$6,000 for taxpayers age 50+) or, earned income.

Contribution Limit Based on Modified Adjusted Gross Income – In 2009 and 2010, the amount taxpayers can contribute to a Roth IRA is subject to a MAGI phase-out.

- In 2009, the MAGI phase-out on Roth IRA contributions by single taxpayers begins at \$105,000 and no contribution is permitted if MAGI is \$120,000 or more. The MAGI phase-out on Roth IRA contributions for married taxpayers filing jointly begins at \$166,000 and no contribution is permitted if MAGI is \$176,000 or more.
- In 2010, the MAGI phase-out on Roth IRA contributions by single taxpayers begins at \$105,000, and no contribution is permitted if MAGI is \$120,000 or more. The MAGI phase-out on Roth IRA contributions for married taxpayers filing jointly begins at \$167,000, and no contribution is permitted if MAGI is \$177,000 or more.

Deduction Limit – There is no deduction for a contribution to a Roth IRA

Conversion from a Traditional IRA to a Roth IRA

- In 2009, only taxpayers with MAGI of \$100,000 or less may convert an amount in a traditional IRA to a Roth IRA (except for a married taxpayer filing separately who could not convert at all).
- In 2010, any taxpayer can convert a traditional IRA to a Roth IRA regardless of MAGI or filing status. It is also possible report half the Roth IRA conversion income in 2011 and the remaining amount in 2012.

ESTATE & GIFT TAXES

Estate Tax Exemption: In 2009, the estate tax exemption is \$3,500,000. Subtract the applicable estate tax exemption from the taxable estate to calculate the estate tax. In 2010, the estate tax is repealed.

Estate Tax Rates:

Over	But not over	Flat amount	+	%	Of excess over
\$ 0	\$ 10,000	\$ 0	18%		\$ 0
10,000	20,000	1,800	20%		10,000
20,000	40,000	3,800	22%		20,000
40,000	60,000	8,200	24%		40,000
60,000	80,000	13,000	26%		60,000
80,000	100,000	18,200	28%		80,000
100,000	150,000	23,800	30%		100,000
150,000	250,000	38,800	32%		150,000
250,000	500,000	70,800	34%		250,000
500,000	750,000	155,800	37%		500,000
750,000	1,000,000	248,300	39%		750,000
1,000,000	1,250,000	345,800	41%		1,000,000
1,250,000	1,500,000	448,300	43%		1,250,000
1,500,000	2,000,000	555,800	45%		1,500,000
2,000,000	2,500,000	780,800	45%		2,000,000
2,500,000	3,000,000	1,025,800	45%		2,500,000
3,000,000	3,500,000	1,290,800	45%		3,000,000
3,500,000	And Over	1,455,800	45%		3,500,000

Income Tax Basis for Inherited Property (2009)

- In 2009, property inherited from an estate has a step-up basis.
- Generally, the step-up basis is determined by the fair market value on the date of death.
- Note, the executor could choose an alternate valuation date exactly six months after the date of death.
- If an alternate valuation date is used, the step-up basis is equal to the fair market value on the alternate valuation date, or the date the property is sold, distributed or disposed (if done within six months after the date of death).

Income Tax Basis for Inherited Property (2010)

- In 2010, property inherited from an estate is the carry-over basis.
- The carry-over basis is determined by the income tax basis the decedent had in the property.
- Note, the executor could choose to allocate additional basis to inherited property to increase the basis.
- The executor can allocate up to \$1.3 million in additional basis to inherited property. Plus, the executor can allocate an additional \$3 million in basis to property inherited by the surviving spouse.

Gift Tax for 2009 and 2010

Annual Gift Tax Exclusion: \$13,000 per donee

Annual Gift Tax Exclusion for a Noncitizen Spouse in 2009: \$133,000

Annual Gift Tax Exclusion for a Noncitizen Spouse in 2010: \$134,000

Lifetime Gift Tax Exemption: \$1,000,000 per person

Top Gift Tax Rate in 2009: 45%

Top Gift Tax Rate in 2010: 35%

Caution: Due to the volatility of tax law, be sure to check with your financial advisors to see if tax changes may have taken place since the printing of this brochure.

e-Pocket Tax Tables – 2009 and 2010

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