

December 2011

IRS Announces 2012 Inflation-Adjusted Figures

Many federal tax law dollar limits are subject to periodic inflation adjustments. However, due to low “official” inflation rates, many limitations remained unchanged for three years – an unprecedented stretch of no inflation adjustments. For 2012, however, several cost-of-living adjustments will go into effect. Here is a list of some important tax law limitations/adjustments for 2012, reflecting changes from 2011:

- Personal exemption – \$3,800 per eligible person, up from \$3,700.
- Basic standard deduction – \$11,900 (married filing jointly), up from \$11,600; \$8,700 (head of household), up from \$8,500; \$5,950 (single and married separate), up from \$5,800.
- Social Security taxable wage base – \$110,100, up from \$106,800.
- 401(k), 403(b), and 457 plan elective salary deferrals (annual) – \$17,000 (up from \$16,500).
- Roth IRA contribution allowability – phaseout range \$173,000 to \$183,000 of annual adjusted gross income for married couples filing jointly, up from \$169,000 to \$179,000; \$110,000 to \$125,000 for single taxpayers and heads of household, up from \$107,000 to \$122,000.
- Defined contribution retirement plan dollar limit on annual additions – \$50,000, up from \$49,000.
- Phaseout range for those who make deductible contributions to a traditional IRA and are covered by a workplace retirement plan:
 - Singles and heads of household – \$58,000 to \$68,000 of modified adjusted income, up from \$56,000 to \$66,000;
 - Married couples filing jointly – in which the spouse who makes the IRA contribution is covered by a workplace retirement plan – is \$92,000 to \$112,000, up from \$90,000 to \$110,000.

For IRA contributors who are not covered by a workplace retirement plan but are married to someone who is covered, the phaseout range is \$173,000 to \$183,000, up from \$169,000 to \$179,000.

- Defined benefit plan limit on annual benefits – \$200,000, up from \$195,000.
- Maximum annual compensation used to determine benefits or contributions – \$250,000, up from \$245,000.
- Dollar limit used to define highly compensated employee - \$115,000, up from \$110,000.
- Compensation limitation defining key employee/officer to “top heavy” plan purposes - \$165,000, up from \$160,000.
- “Nanny” tax threshold – annual payment of \$1,800, up from \$1,700.
- The gift-tax, generation-skipping-transfer (GST) tax, and estate-tax exemption amount – \$5,120,000, up from \$5,000,000.
- Dollar limitation on property eligible for Section 179 expensing election used in a trade or business – \$139,000, up from a previously scheduled \$125,000. Limit is reduced dollar for dollar as the cost of eligible property placed in service exceeds \$560,000, up from \$500,000.

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Also, tax bracket thresholds increase for each income-tax filing status and rate. For example, for a married couple filing a joint return, the taxable income threshold separating the 15% bracket from the 25% bracket is \$70,700 in 2012, up from \$69,000 in 2011.

We Can Help

Please contact Doeren Mayhew at (248) 244-3000 if you have any questions regarding these, or any other, tax law limits for 2012. We can also assist with all of your 2011 tax return preparation needs.

