



CERTIFIED PUBLIC ACCOUNTANTS

Tax News Flash

In This Acuity Update:

- **IRS Announces Increased Limits for 2012**

IRS Announces Increased Limits for 2012

On October 20, 2011, the Internal Revenue Service announced that personal exemptions and standard deductions will rise and tax brackets will widen due to inflation.

By law, the dollar amounts for a variety of tax provisions, affecting virtually every taxpayer, must be revised each year to keep pace with inflation. New dollar amounts affecting 2012 returns, filed by most taxpayers in early 2013, include:

Personal Exemptions and Deduction Limits

- The value of each personal and dependent exemption, available to most taxpayers, is \$3,800, up \$100 from 2011.
- The new standard deduction is \$11,900 for married couples filing a joint return, up \$300, \$5,950 for singles and married individuals filing separately, up \$150, and \$8,700 for heads of household, up \$200. Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions.
- Tax-bracket thresholds increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$70,700, up from \$69,000 in 2011.

Estate and Gift Exclusions

- For an estate of any decedent dying during calendar year 2012, the basic exclusion from estate tax amount is \$5,120,000, up from \$5,000,000 for calendar year 2011.
- Also, if the executor chooses to use the special use valuation method for qualified real property, the aggregate decrease in the value of the property resulting from the choice cannot exceed \$1,040,000, up from \$1,020,000 for 2011.
- The annual exclusion for gifts remains at \$13,000.

Pension Plan Limits

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from \$16,500 to \$17,000.

- The catch-up contribution limit for those aged 50 and over remains unchanged at \$5,500.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$58,000 and \$68,000, up from \$56,000 and \$66,000 in 2011. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$92,000 to \$112,000, up from \$90,000 to \$110,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$173,000 and \$183,000, up from \$169,000 and \$179,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$173,000 to \$183,000 for married couples filing jointly, up from \$169,000 to \$179,000 in 2011. For singles and heads of household, the income phase-out range is \$110,000 to \$125,000, up from \$107,000 to \$122,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains \$0 to \$10,000.
- The AGI limit for the saver's credit (also known as the retirement savings contributions credit) for low-and moderate-income workers is \$57,500 for married couples filing jointly, up from \$56,500 in 2011; \$43,125 for heads of household, up from \$42,375; and \$28,750 for married individuals filing separately and for singles, up from \$28,250.

The material in this Tax Alert is excerpted from IRS News Releases [IR-2011-103](#) and [IR-2011-104](#). Technical details can be found in [Revenue Procedure 2011-52](#) to be published on November 7, 2011.

If you have questions about any of these news items,
your client service team at Acuity can bring you the resources that you may need.
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