



Getting Ready for Tax Season: Changes for 2012

The IRS has issued cost-of-living adjustments for the 2012 tax year that modify brackets, deductions, and other thresholds for inflation.

Although most Americans will not have to worry about 2012 taxes until early 2013 when 2012 tax returns are due, self-employed individuals or anyone who must pay quarterly tax payments will want to plan ahead.

And there's good news for those that do. The IRS recently announced cost-of-living adjustments for the 2012 tax year that bump up brackets, deductions, and other thresholds for inflation.

The following is a summary of the key changes for 2012.

- Exemptions are up: The personal and dependent exemption increases to \$3,800, up \$100 from 2011.
- Standard deductions have increased: The 2012 standard deduction increases to \$11,900 for married couples filing a joint return, \$5,950 for singles and married individuals filing separately, and \$8,700 for heads of household.
- Tax-bracket adjustments: Tax-bracket thresholds have increased for each filing status (see table below).
- Estate tax exclusion has increased: The estate tax exclusion increases to \$5,120,000, up from \$5,000,000 for 2011. The annual exclusion for gifts will remain at \$13,000.
- Earned income credits rise: The maximum earned income tax credit (EITC) rises to \$5,891, up from \$5,751 in 2011. The maximum income limit for the EITC increases to \$50,270, up from \$49,078 in 2011.
- Transportation benefits adjusted: The monthly limit on the value of qualified transportation benefits exclusion for qualified parking provided by an employer to its employees for 2012 rises to \$240, up \$10 from the limit in 2011. However, the temporary increase in the monthly limit on the value of the qualified transportation benefits exclusion for transportation in a commuter highway vehicle and transit pass provided by an employer to its employees expires and reverts to \$125 for 2012.

Several tax benefits are unchanged in 2012. For example, the additional standard deduction for blind people and senior citizens remains at \$1,150 for married individuals and \$1,450 for singles and heads of household.

Details on these and other inflation adjustments can be found in [Revenue Procedure 2011-52](#).

2012 Tax Brackets

| | Single | Joint Filers | Married Filing Separately |
|-----|-----------------------|-----------------------|---------------------------|
| 10% | \$0 - \$8,700 | \$0 - \$17,400 | \$0 - \$8,700 |
| 15% | \$8,700 - \$35,350 | \$17,400 - \$70,700 | \$8,700 - \$35,350 |
| 25% | \$35,350 - \$85,650 | \$70,700 - \$142,700 | \$35,350 - \$71,350 |
| 28% | \$85,650 - \$178,650 | \$142,700 - \$217,450 | \$71,350 - \$108,725 |
| 33% | \$178,650 - \$388,350 | \$217,450 - \$388,350 | \$108,725 - \$194,175 |
| 35% | Over \$388,350 | Over \$388,350 | Over \$194,175 |

December 2011 — This column is provided through the Financial Planning Association, the membership organization for the financial planning community, and is brought to you by Capital Strategies, Inc., a local member of FPA.

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