

As the New Year brings excitement and new opportunity, there is one thing looming not far down the road that may not be the most pleasant for a lot of people. By April 15 this year each and every one of us with any earned income will need to file income tax returns with the IRS and the state. Given the amount of suspense and hostile partisan rhetoric surrounding the so called *Fiscal Cliff* and what to do with the expiring Bush tax cuts, more than other years, 2012 provided no shortage of debate, skepticism, and in many instances, fear from many about what action or inaction by Congress on the issue of taxes would have on their paychecks and families.

When the smoke cleared on New Year's Day, it was evident that much of the public's fear was unfounded- at least as it pertains to their individual paychecks and the amount of their hard-earned money would be going to Uncle Sam. As you begin to tackle your individual income tax returns for tax year 2012, here are some highlights of things to keep in mind*:

EXEMPTION AMOUNTS: Individuals are permitted an exemption of \$3,800 for themselves and each dependent, which is an increase of \$100 from the tax year 2011 amount.

STANDARD DEDUCTION: The standard deduction amount for individuals is \$5,950, up \$150 from 2011. Married couples filing a joint return are permitted a deduction of \$11,900, up \$300 from 2011, and the deduction for heads of household is \$8,700, up \$200 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.

EARNED INCOME TAX CREDIT: For tax year 2012, the maximum earned income tax credit (EITC) for low- and moderate- income workers and working families rises to \$5,891, up from \$5,751 in 2011. The maximum income limit for the EITC rises to \$50,270, up from \$49,078 in 2011. The credit varies by family size, filing status and other factors, with the maximum credit going to joint filers with three or more qualifying children.

FOREIGN EARNED INCOME DEDUCTION: The foreign earned income deduction rises to \$95,100, an increase of \$2,200 from the maximum deduction for tax year 2011.

LIFETIME LEARNING CREDIT: The modified adjusted gross income threshold at which the lifetime learning credit begins to phase out is \$104,000 for joint filers, up from \$102,000, and \$52,000 for singles and heads of household, up from \$51,000.

STUDENT LOAN INTEREST: The \$2,500 maximum deduction for interest paid on student loans begins to phase out for a married taxpayers filing a joint returns at \$125,000 and phases out completely at \$155,000, an increase of \$5,000 from the phase out limits for tax year 2011. For single taxpayers, the phase out ranges remain at the 2011 levels.

TAX BRACKETS: Tax-bracket thresholds *increase* for each filing status as shown in the table below:

| Tax Rate | Tax Year | Individual | Married filing joint | Head of Household | Married filing separate |
|----------|----------|---------------------|----------------------|---------------------|-------------------------|
| 10% | 2011 | Up to \$8,500 | Up to \$17,000 | Up to \$12,150 | Up to \$8,500 |
| | 2012 | Up to \$8,700 | Up to \$17,400 | Up to \$12,500 | Up to \$8,700 |
| 15% | 2011 | \$8,501-\$34,500 | \$17,001-\$69,000 | \$12,151-\$46,250 | \$8,501-\$34,500 |
| | 2012 | \$8,701-\$35,350 | \$17,401-\$70,700 | \$12,401-\$47,350 | \$8,701-\$35,350 |
| 25% | 2011 | \$34,501-\$83,600 | \$69,001-\$139,350 | \$46,251-\$119,400 | \$34,501-\$69,675 |
| | 2012 | \$35,351-\$85,650 | \$70,701-\$142,700 | \$47,351-\$122,300 | \$35,351-\$71,350 |
| 28% | 2011 | \$83,601-\$174,400 | \$139,351-\$212,300 | \$119,401-\$193,350 | \$69,676-\$106,150 |
| | 2012 | \$85,651-\$178,650 | \$142,701-\$217,450 | \$122,301-\$198,050 | \$71,351-\$108,725 |
| 33% | 2011 | \$174,401-\$379,150 | \$212,301-\$379,150 | \$193,351-\$379,150 | \$105,151-\$189,575 |
| | 2012 | \$178,651-\$388,350 | \$217,451-\$388,350 | \$198,051-\$388,350 | \$108,726-\$194,175 |
| 35% | 2011 | \$379,151 or more | \$379,151 or more | \$379,151 or more | \$189,576 or more |
| | 2012 | \$388,351 or more | \$388,351 or more | \$388,351 or more | \$194,176 or more |

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