

2011 Tax Law Changes

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The 2010 Tax Relief Act brought not only federal estate and gift tax changes, but also other changes that affect individual taxpayers. These changes can be summarized briefly as follows:

- Employees will pay only 4.2%, instead of the usual 6.2%, Social Security tax on compensation received during 2011, and selfemployed persons will pay only 10.4% Social Security self-employment taxes, down from 12.4% in 2010, for earned income of up to \$106,800, which results in a maximum savings per taxpayer of \$2,136, and for a husband and wife of \$4,272.
- The reduced individual income tax rates in effect during 2010 are continued for another two years, which means that the highest individual tax rate is 35% through 2012, and with capital gains and qualified dividends taxed at a maximum 15% rate.
- The repeal of the limitation on itemized deductions and the personal exemption phase out is continued through 2012, so higher income taxpayers will not have to be concerned about having their itemized deductions and personal exemptions reduced for another two years.
- The marriage penalty relief and enhancement to the child tax credit in effect through 2010 is extended through 2012.
- The 2010 Tax Relief Act retroactively “patched” the alternative minimum tax so as to increase the exemption amount for 2010 to \$47,450 for single individuals, \$72,450 for married couples and surviving spouses, and \$36,225 for married individuals filing a separate return. The exemption amount is increased for 2011 to \$48,450 for single individuals, \$74,450 for married couples and surviving spouses, and \$37,225 for married individuals filing a separate return. Without the retroactive “patch,” the exemption amounts would have been \$33,750 for single individuals, \$45,000 for married couples and surviving spouses and \$22,500 for married individuals filing a separate return, and absent legislative action, these will be the exemption amounts for 2013.
- Most over-the-counter medicines can no longer be reimbursed from the various types of health savings accounts (which has caused doctors to be inundated with requests for prescriptions for items such as contact lens solution and aspirin).
- Among other temporary tax incentives
 - extended by the 2010 Tax Relief Act are:
 - State and local sales tax deduction
 - Teachers’ classroom expense deduction

- Tax rate distributions from IRAs to
- charitable organizations
- Higher education, IRAs, tuition
- Deduction
- Modified energy tax credit

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