

TAX RATES SCHEDULES
YEAR 2006 VS. 2007

	Year 2006	Year 2007
1. First Bracket	10%	10%
	Available to all, except for estates and trusts.	
2. Second Bracket:	15%	15%
Begins at:		
Joint	\$15,100	\$15,650
Single	\$7,550	\$7,825
Head of household	\$10,750	\$11,200
Married filing separately	\$7,550	\$7,825
Estates and trusts	\$0	\$0
3. Third Bracket:	25%	25%
Begins at:		
Joint	\$61,300	\$63,700
Single	\$30,650	\$31,850
Head of household	\$41,050	\$42,650
Married filing separately	\$30,650	\$31,850
Estates and trusts	\$2,050	\$2,150
4. Fourth Bracket:	28%	28%
Begins at:		
Joint	\$123,700	\$128,500
Single	\$74,200	\$77,100
Head of household	\$106,000	\$100,100
Married filing separately	\$61,850	\$64,250
Estates and trusts	\$4,850	\$5,000
5. Fifth Bracket:	33%	33%
Begins at:		
Joint	\$188,450	\$195,850
Single	\$154,800	\$160,850
Head of household	\$171,650	\$178,350
Married filing separately	\$94,225	\$97,925
Estates and trusts	\$7,400	\$7,650
6. Sixth Bracket:	35%	35%
Begins at:		
Joint	\$336,550	\$349,700
Single	\$336,550	\$349,700
Head of household	\$336,550	\$349,700
Married filing separately	\$168,275	\$174,850
Estates and trusts	\$10,050	\$10,450

<u>YEAR 2007 - CHANGES</u>		
	Year 2006	Year 2007
1. Health insurance premiums:		
Self Employed-Deductible	100%	100%
2. Section 179 Expense Election:		
Maximum deduction limited to taxable income from trade or business	\$108,000	\$112,000
Reduction if cost of Section 179 property exceeds	\$430,000	\$450,000
3. Standard Mileage rates:		
Business travel	44.5 cents	48.5 cents
Medical/moving	18 cents	20 cents
Charitable use	14 cents	14 cents
4. Standard deduction:		
Joint return	\$10,300	\$10,700
Head of household	\$7,550	\$7,850
Single	\$5,150	\$5,350
(a) Dependent-Greater of \$850(was \$850 in 2006) or earned income plus \$300(was \$300 in 2006) of unearned income, up to single maximum of:	\$5,150	\$5,350
(b) Aged 65 or older, or legally blind:		
<u>Add</u> - Single	\$1,250	\$1,300
- if married filling joint	\$1,000	\$1,050
(c) <u>Kiddie Tax</u> - Net unearned income of a child under age 18, reduced by (1) \$850 and (2) the standard deduction, or the child's itemized deductions attributable to the production of unearned income is taxed at the parental highest marginal rate	Effective	Effective
5. Personal exemptions:	\$3,300	\$3,400
6. Cap on Social Security Wage Base		
6.2% of wage based for FICA; 1.45% of total salary for medicare	\$94,200	\$97,500
7. Phaseout of itemized deductions		
wagering loss)- 2% of AGI in excess of:		
Married Filling Jointly	\$150,500	\$156,400
Single	\$75,250	\$78,200

YEAR 2007 - CHANGES

	Year 2006	Year 2007
8. <u>Personal Exemption Phaseout-</u>		
AGI beginning at: Joint	\$225,750	\$234,600
Head of household	\$188,150	\$195,500
Single	\$150,500	\$156,400
(a) Reduced by 2% for each \$2,500 or fraction thereof by which AGI exceeds above amounts		
Phase Out-		
AGI above: Joint	\$348,250	\$357,100
Head of household	\$310,650	\$318,000
Single	\$273,000	\$278,900
For 2006 and 2007 the cut back in the exemptions is reduced by one Third. Thus in 2006 and 2007 at "full phase out" An exemption of \$1100 can still be claimed		
9. <u>Gift Tax Exemption</u>	\$12,000	\$12,000
10. <u>Transportation Fringe Benefits:</u>		
(a) Employer provided transit passes- Employee can exclude <u>per month</u> from gross income	\$105	\$110
(b) Employer provided parking-on or near premises of employer, or near a location from which the employee commutes to work by mass transit	\$205	\$215
11. <u>Childs Tax Credit for a dependent:</u>		
Less: Than 17 years old at close of tax year Reduced by \$50 for each \$1,000 or fraction thereof AGI above \$110,000 joint, or \$75,000 single	\$1,000	\$1,000
Credit is refundable to extend of 10% taxpayer's earned income over	\$11,300	\$11,750
(Nontaxable combat pay can be treated as earned income)		
A refundable credit is also available for low-income families with 3 or more children where social security taxes exceed the earned income credit.		
12. <u>U.S citizens working in a foreign country</u> can exlude foreign earned income up to:	\$82,400	

YEAR 2007 - CHANGES

	Year 2006	Year 2007
13. Higher education expense deduction for AGI:		
Individuals with AGI up to \$65,000, and joint filers with AGI up to \$130,000 can deduct for AGI up to \$_____	\$4,000	\$4,000
Individuals with AGI above \$65,000 but under \$80,000 and joint filers with AGI above \$130,000 but under \$160,000 up to \$_____	\$2,000	\$2,000
The deduction <u>cannot</u> be taken for any individual for whom the Hope or Lifetime Learning Credits are claimed.		
(a) The Hope Credit can be claimed for the first two years of undergraduate education when enrolled on at list a half- time basis in a program leading to a degree or certificate. The credit is available <u>for each eligible student.</u>		
(i) Credit is 100% of the first \$1,000 of college tuition expenses and 50% of the second \$1,000 for a maximum of \$1,650.		
(ii) Credit available for tuition paid in one year for an academic period that begins no later than January, February or March of the following year.		
(iii) At the following of the tax year the student must not have completed the first 2 years of postsecondary education. In addition the student must not have been convicted of any felony class drug		
(b) The Lifetime Learning Credit is available <u>per taxpayer</u> for any year of undergraduate and graduate enrollment and even for one course of study.		
(i) Credit is 20% of college tuition expenses up to \$_____	\$10,000	\$10,000
(c) Both have a phaseout Range:		
Joint AGI	\$90,000 to \$110,000	\$94,000 to \$114,000
Single AGI	\$45,000 to \$55,000	\$47,000 to \$57,000

YEAR 2007 - CHANGES

	Year 2006	Year 2007
14. Interest on education loans-maximum	\$2,500	\$2,500
Reduced when AGI exceeds:	\$50,000	\$55,000
	(\$105,0000	(\$110,000
	joint)	joint)
Eliminated when AGI is:	\$65,000	\$70,000
	(\$135,000	(\$140,000
	joint)	joint)
15. Coverdell Education Savings Account:(CESA)		
(a) Maximum annual contribution is:	\$2,000	\$2,000
For a designated beneficiary under age 18; must distribute account after age 30. Earnings are tax free if used for public, private, and religious elementary, secondary school, and college! No deduction for contributions.		
(b) Phaseout		
-AGI Between	\$95,000	\$95,000
	\$110,000 -	\$110,000 -
	single	single
-AGI Between	\$190,000	\$190,000
	\$220,000 -	\$220,000 -
	joint	joint
(c) Can set up a 529 plan for same beneficiary in same tax year.		
16. Deducting state and local sales taxes in lieu of deduction for state and local income taxes.	Available	Available
17. Avoidance of penalties for Underestimation of Estimated Tax		
(a) No penalty if tax liability for year, after credit for tax withheld is less than \$1,000.		
(b) No penalty if tax liability for prior year is zero.		
(c) No penalty if estimated and withheld taxes paid is at least 90% of current's year's tax or 100% of prior year, unless the prior year's AGI in excess of \$150,000 - in which case:		
(i) Prior year's safe harbor percentage is 110%.		

YEAR 2007 - CHANGES

	Year 2006	Year 2007
18. <u>Dependent Care Credit</u> - A taxpayer who maintains a house hold for one or more qualifying individuals, (depedent under age 13, or one physically or mentally incapable of caring for himself), and who pays child or dependent care expenses to enable him to be gainfully employed;(use Form 2441).		
Taxpayers with AGI of \$15,000 or less, credit is	35%	35%
When AGI over \$43,000 credit is reduced to	20%	20%
Maximum for credit		
-one qualified individual	\$3,000	\$3,000
-two or more	\$6,000	\$6,000
-Credit not available for costs paid to a dependent of taxpayer, or to taxpayer's child under age 19. However, payments to relatives (i.e., parents), who are not dependents, will qualify.		
-Credit limited on joint return to earned income of lower earning spouse unless spouse is a full-time student (5 calendar months) in which case earned income is assumed to be \$250 per month if one qualifying individual, and \$500 per month if two or more.		
19. <u>Contributions to Traditional IRAs</u> - Individuals, must be under age 70.5, and have earned income (other than deferred compensation). Contributions can be made up to due date of the tax		
- Maximum contribution	\$4,000	\$4,000
- If taxpayer age 50 or over	\$5,000	\$5,000
Phase-out for joint filers if taxpayer covered by an employer's retirement plan.	AGI between \$75,000 and \$85,000	AGI between \$83,000 and \$103,000
Individual who is not an active participant in an employer's retirement plan, but whose spouse is - phase out if:	AGI between \$150,000 and \$160,000	AGI between \$156,000 and \$166,000
Designated beneficiary is determined as of September 30 of year following year of owner's death.		

YEAR 2007 - CHANGES

	Year 2006	Year 2007
20. Contributions to Roth IRAs - Individuals can be over age 70.5		
-Maximum contribution (to all IRAs)	\$4,000	\$4,000
-If taxpayer age 50 or over (to all IRAs)	\$5,000	\$5,000
Above maximum do not include rollover contributions from a traditional IRA to a Roth IRA		
Contributions phase out for single tax AGI between	{\$95,000 - \$110,000}	{\$99,000 - \$114,000}
Joint filers with AGI between	{\$150,000 - \$160,000}	{\$156,000 - \$166,000}
Married filing separately with AGI between	\$0 \$10,000	\$0 \$10,000
(i) For above phase out AGI does not include income reported from the conversion of a traditional IRA into a Roth IRA.		
AGI may not exceed \$100,000 and the taxpayer if married, may not file separately. Although the converted amount must be included in gross income it is not counted in determining the \$100,000 AGI limit.		
(iii) Unlike traditional IRAs, the contribution limits apply whether or not taxpayer is an active participant in an employer maintained retirement plan.		
Qualified distribution of Roth IRAs are <u>not subjected to any tax</u> . A qualified distribution is:		
(a) One made after a 5 year holding period, beginning with the first year for which the taxpayer made a contribution to a Roth IRA, <u>and</u> ,		
(b) Made after attaining age 59.5, or at or after death to a beneficiary, or for a first time home purchase.		

YEAR 2007 - CHANGES

	Year 2006	Year 2007
22. Passive Losses from Rental of Real Estate		
Up to \$25,000 may be deducted in full against nonpassive income, if taxpayer or taxpayer's spouse, actively participates (i.e., makes management decisions) in the rental real estate activity, and has at least 10% interest in real estate activity.	\$25,000	\$25,000
The \$25,000 maximum is reduced by 50% of the amount by which taxpayer's AGI for the year exceeds \$100,000 and is completely phase out when AGI reaches \$150,000. AGI is calculated without regard to IRA contributions and taxable social security benefits.		
23. Limitation on Depreciation of Automobiles (which are rated 6,000 pounds or less)		
First year	2960	3060
Second year	4800	4900
Third year	2850	2850
Each succeeding year	1775	1775
24. Limitation on Depreciation for light trucks and vans (which are rated 6,000 pounds or less)		
First year	3260	3260
Second year	5200	4900