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2011 tax planning tables



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2011 important deadlines

Last day to ...

Jan. 18

- Pay fourth-quarter 2010 federal individual estimated income tax

Jan. 25

- Buy in to close a short-against-the-box position (regular-way settlement)

Jan. 31

- Make a 2010 qualified charitable distribution from an IRA

March 15

- Establish and fund SEP plans for corporations for 2010 (filing an extension extends the deadline)
- Fund employer contributions for retirement plans for corporations (filing an extension extends the deadline)

April 1

- Take 2010 RMD from traditional IRAs if you reached 70½ in 2010

April 18

- File 2010 federal individual income tax return (or file an extension)
- Pay first-quarter 2011 federal individual estimated income tax
- Make 2010 contribution to traditional IRA, Roth IRA or Education Savings Account (ESA)
- Establish and fund SEP plans for sole proprietorships and partnerships for 2010 (filing an extension extends the deadline)
- Fund employer contributions for retirement plans for sole proprietorships and partnerships (filing extension extends the deadline)

June 15

- Pay second-quarter 2011 federal individual estimated income tax

Sept. 15

- Pay third-quarter 2011 federal individual estimated income tax

Oct. 1

- Establish a SIMPLE IRA/safe harbor 401(k)

Oct. 17

- File 2010 federal individual income tax return subject to automatic extensions

Nov. 29

- Double up to avoid violating the “wash sale” rule

Dec. 27

- Buy in to close a short position at a loss (regular-way settlement)

Dec. 30

- Sell stock or listed options to realize a gain or loss
- Buy in to close a short position at a gain
- Establish a new qualified plan (calendar-year taxpayers)
- Complete gifts for the current calendar year (charitable or other)
- Take RMDs from traditional IRAs and most qualified plans if you reached age 70½ before 2011
- Complete a Roth IRA conversion
- Complete a 529 plan contribution
- Sell shares acquired through the 2011 exercise of incentive stock options (ISOs) in disqualifying disposition to limit alternative minimum tax (AMT)

Income tax

Married taxpayer filing jointly/surviving spouse rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 17,000	\$.00	10%	\$ 0
17,000	69,000	1,700.00	15	17,000
69,000	139,350	9,500.00	25	69,000
139,350	212,300	27,087.50	28	139,350
212,300	379,150	47,513.50	33	212,300
379,150		102,574.00	35	379,150

Single taxpayer rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 8,500	\$.00	10%	\$ 0
8,500	34,500	850.00	15	8,500
34,500	83,600	4,750.00	25	34,500
83,600	174,400	17,025.00	28	83,600
174,400	379,150	42,449.00	33	174,400
379,150		110,016.50	35	379,150

Head of household rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 12,150	\$.00	10%	\$ 0
12,150	46,250	1,215.00	15	12,150
46,250	119,400	6,330.00	25	46,250
119,400	193,350	24,617.50	28	119,400
193,350	379,150	45,323.50	33	193,350
379,150		106,637.50	35	379,150

Married taxpayer filing separately rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 8,500	\$.00	10%	\$ 0
8,500	34,500	850.00	15	8,500
34,500	69,675	4,750.00	25	34,500
69,675	106,150	13,543.75	28	69,675
106,150	189,575	23,756.75	33	106,150
189,575		51,287.00	35	189,575

Taxable income is income after all deductions (including either itemized deductions or the standard deduction) and exemptions.

Personal and dependency exemption: \$3,700

Standard deductions

Married/ joint	Single	Head of household	Dependents	Married/ separate
\$11,600	\$5,800	\$8,500	\$950	\$5,800

For dependents with earned income, the deduction is greater of \$950 or earned income + \$300 (up to \$5,800).

Additional standard deductions

Married, age 65 or older or blind	\$ 1,150*
Married, age 65 or older and blind	2,300*
Single, age 65 or older (per person) or blind	1,450
Single, age 65 or older and blind	2,900

* per person

Tax credit for dependent children

	Modified adjusted gross income (MAGI)	Tax credit for each child younger than age 17
Married/joint	\$0 - 110,000	\$1,000
Individual	0 - 75,000	1,000

Tax credit is reduced by \$50 for each \$1,000 by which the taxpayer's MAGI exceeds the maximum threshold.

Long-term care deduction for medical care*

Age attained before the close of the taxable year	Limit on premiums
40 or less	\$ 340
More than 40 but not more than 50	640
More than 50 but not more than 60	1,270
More than 60 but not more than 70	3,390
More than 70	4,240

* Limitations apply based on type of taxpayer. You should consult your tax advisor regarding your situation.

Wells Fargo Advisors spending guidelines

Mortgage payments	Not to exceed 28% of gross (pretax) income
Discretionary expenses (clothing, entertainment, restaurants, etc.)	Not to exceed 20% of after-tax income
Auto loans and credit card debt	Not to exceed 20% of after-tax income
Combined monthly debt	Not to exceed 36% of monthly gross (pretax) income

Capital gains and losses and dividends

	10% and 15% tax brackets	25% and higher tax brackets
Short-term (one year or less)	Ordinary rate	Ordinary rate
Long-term (longer than one year)	0%*	15%
Dividends	Qualified dividends are taxed at long-term capital gains rates. Nonqualified dividends are taxed at ordinary income tax rates.	

* To the extent taxable income remains in the 15% bracket. Consult your tax advisor about how this applies to your situation.

Netting capital gains and losses

1. Net short-term gains and short-term losses.
2. Net long-term gains and long-term losses.
3. Net short-term against long-term.
4. Deduct up to \$3,000 of excess losses against ordinary income per year.
5. Carry over any remaining losses to future tax years.

Alternative minimum tax (AMT)

AMT income	Tax
Up to \$175,000	26%
Over \$175,000	28

Education planning

Education Savings Accounts (ESA)

- Maximum nondeductible contribution is \$2,000* per child, per year.
- Must be established for the benefit of a child younger than the age of 18.
- Maximum contribution amount is lowered if a contributor's modified adjusted gross income (MAGI) is between:
 - \$95,000 and \$110,000 for individual filers
 - \$190,000 and \$220,000 for joint filers*
- No contributions can be made if contributor's MAGI exceeds the stated limits.
- Interest, dividends and capital gains grow tax deferred and may be distributed federal-income-tax free as long as the money is used to pay qualified education expenses.

* Subject to the sunset provisions of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010.

529 plans

- Earnings accumulate tax-deferred; qualified withdrawals may be federal-income-tax-free.
- No income, state-residency or age restrictions.
- Potential state-tax incentives available in some states.
- Contributions up to \$65,000 (single) and \$130,000 (married couples) allowed in one year without a reduction in the applicable gift/estate tax exclusion. No additional gifting in the current year or next four years without incurring potential gift tax implications.

Please consider the investment objectives, risk, charges and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your Financial Advisor. Read it carefully before you invest.

American Opportunity Credit

Maximum credit	\$2,500 per student for first four years of qualified expenses paid
MAGI phase-outs:	
Married filing jointly	\$160,000 - 180,000
Single filer	80,000 - 90,000

Lifetime Learning Credit

Maximum credit	20% of first \$10,000 (per tax return) of qualified expenses paid in 2011
MAGI phase-outs:	
Married filing jointly	\$102,000 - 122,000
Single filer	51,000 - 61,000

Exclusion of U.S. Savings Bond interest

MAGI phase-outs:	
Married filing jointly	\$106,650 - 136,650
Others	71,100 - 86,100

Bonds must be titled in name(s) of taxpayer(s) only. Owner must be age 24 or older at time of issue. Must be Series EE issued after 1989 or any Series I bonds. Proceeds must be used for qualified postsecondary education expenses of the taxpayer, spouse or dependent.

Student loan interest deduction

Maximum deduction	\$2,500
MAGI phase-outs:	
Married filing jointly	\$120,000 - 150,000
Others	60,000 - 75,000

Kiddie tax

Children who have not reached the age of 19 by the end of the tax year are subject to the “kiddie tax” rules. If the child continues to be a full-time student, the rules apply until he or she turns age 24. The following tax rate schedule will apply (assumes no earned income).

Unearned income	Tax treatment
Under \$950	No tax
\$950 - 1,900	Taxed at child’s rate
Over \$1,900	Taxed at the higher of the parents’ top marginal rate or the child’s tax rate

Estimated annual college costs

	Public*	Private*
2011	\$20,339	\$40,476
2016	26,206	52,152
2021	33,766	67,197
2026	43,507	86,583

* Total yearly costs for in-state tuition, fees, books, room and board, transportation, and miscellaneous expenses. Base is 2010-2011 school year. Costs for all future years projected by Wells Fargo Advisors in October 2010 assuming a 5.2% increase per year. Source: Trends in College Pricing. ©2010 collegeboard.com, Inc. Reprinted with permission. All rights reserved. collegeboard.com.

Retirement accounts

Pretax 401(k), 403(b), 457, or Roth 401(k) or 403(b)

Employee maximum deferral contributions	Catch-up contribution (if age 50 or older)
\$16,500	\$5,500

Combined limit for Roth 401(k) or Roth 403(b) and pretax traditional 401(k) or pretax 403(b) deferral contributions is \$16,500 for those younger than 50.

Traditional and Roth IRA

Maximum contribution	Catch-up contribution (if age 50 or older)
\$5,000	\$1,000

2011 contributions must be made no later than the tax-filing deadline (April 16, 2012), regardless of tax extensions. Traditional IRA contributions cannot be made for the year the owner turns age 70½ or subsequent years.

Traditional IRA deductibility limits

If neither individual nor spouse is a participant in another plan:
\$5,000¹ maximum deduction

If the individual is an active participant in another plan:

Married/joint MAGI ²	Single MAGI ²	Deduction
Up to \$90,000	Up to \$56,000	\$5,000 ^{1,3}
\$90,000 - 110,000	\$56,000 - 66,000	Phased out
\$110,000 and over	\$66,000 and over	\$0

¹ If a spouse (working or nonworking) is not covered by a retirement plan but his or her spouse is covered, the spouse who is not covered is allowed full deductibility up to \$169,000 joint MAGI, phased out at \$179,000 joint MAGI.

² Modified adjusted gross income

³ Maximum deduction is \$6,000 if age 50 or older.

Roth IRA qualifications

- Contribution amount is limited if modified adjusted gross income (MAGI) is between:
 - \$107,000 and \$122,000 for individual returns
 - \$169,000 and \$179,000 for joint filers
- Cannot contribute if MAGI exceeds limits.
- Contributions are not tax-deductible.
- Contributions are allowed after the age of 70½ if made from earned income.

Retirement plan limits

Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	\$ 11,500
Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older)	2,500
Maximum annual defined contribution plan limit	49,000
Maximum compensation for calculating qualified plan contributions	245,000
Maximum annual defined benefit limit	195,000
Threshold for highly compensated employee	110,000
Threshold for key employee in top-heavy plans	160,000
Maximum SEP contribution is lesser of limit or 25% of eligible income	49,000

Uniform Lifetime/Minimum Distribution Table

Age	Life Expectancy Factor	Age	Life Expectancy Factor
70	27.4	88	12.7
71	26.5	89	12.0
72	25.6	90	11.4
73	24.7	91	10.8
74	23.8	92	10.2
75	22.9	93	9.6
76	22.0	94	9.1
77	21.2	95	8.6
78	20.3	96	8.1
79	19.5	97	7.6
80	18.7	98	7.1
81	17.9	99	6.7
82	17.1	100	6.3
83	16.3	101	5.9
84	15.5	102	5.5
85	14.8	103	5.2
86	14.1	104	4.9
87	13.4	105	4.5

Social Security

Earnings test

The earnings test indicates the level of earnings permissible for Social Security benefits recipients without incurring a deduction from benefits. These limits are indexed to increases in national earnings.

Worker younger than full retirement age	\$14,160
Year worker reaches full retirement age (applies only to earnings for months prior to attaining full retirement age)	\$37,680
Worker at full retirement age	No limit

Maximum monthly benefit: \$2,366

This benefit is for an individual who reaches full retirement age in 2011 and earns at least the maximum wage base amount for the best 35 years.

Information provided by the Social Security Administration.

Taxation thresholds

Up to a certain percentage of an individual's Social Security benefits is subject to taxation when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% taxed	Up to 85% taxed
Married/joint	\$32,000 - 44,000	More than \$44,000
Single	\$25,000 - 34,000	More than \$34,000
Married filing separately	Always 85% taxable	

* Provisional income generally includes modified adjusted gross income (MAGI) plus nontaxable interest and one-half of Social Security benefits.

Social Security and Medicare taxes

Tax rates

	Social Security OASDI*	Medicare HI†	Total OASDHI
Employee	4.20%	1.45%	5.65%
Self-employed‡	10.40	2.90	13.30
Wage base for Social Security		Wage base for Medicare HI	
\$106,800		No cap	

* Old Age, Survivor and Disability Insurance portion of Social Security tax.

† Medicare Hospital Insurance.

‡ Self-employed individuals are allowed to take an income tax deduction of a portion of the self-employment tax.

Example assuming \$150,000 earnings

	Social Security OASDI	Medicare HI	Total OASDHI
Employee	\$ 4,486*	\$2,175	\$ 6,661
Employer	6,621*	2,175	8,796
Total	11,107	4,350	15,457
Self-employed	\$ 11,107	\$4,350	\$ 15,457

* Subject to automatic yearly adjustment based on changes in wage levels.

Health Savings Account (HSA) limits

Maximum contribution

Single Family

\$3,050 \$6,150

\$1,000 catch-up contribution allowed per individual age 55 or older

Minimum deductible

Single Family

\$1,200 \$2,400

Maximum out-of-pocket expenses

Single Family

\$5,950 \$11,900

Federal trust and estate income tax

Tax rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 2,300	\$ 0.00	15%	\$ 0
2,300	5,450	345.00	25	2,300
5,450	8,300	1,132.50	28	5,450
8,300	11,350	1,930.50	33	8,300
11,350		2,937.00	35	11,350

Estate and gift tax*

Applicable exclusion*

In 2011 and 2012: \$5,000,000

New “portability” rules allow an executor to elect to transfer any unused exclusion to a surviving spouse. Determining how to apply the portability rules is complex. Consult your tax and legal advisors to determine the appropriate strategy.

Estate tax rate*

In 2011 and 2012: 35% for any amount exceeding \$5,000,000

Generation-skipping tax exemption*

In 2011 and 2012: \$5,000,000

**These provisions “sunset” after 2012 unless further legislation is enacted.*

Gift tax annual exclusion

Each individual may transfer up to \$13,000 per person per year to any number of beneficiaries (family or nonfamily) without paying gift tax or “using up” any available lifetime gift exclusion.

Corporate income tax

Tax rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 50,000	\$ 0	15%	\$ 0
50,000	75,000	7,500	25	50,000
75,000	100,000	13,750	34	75,000
100,000	335,000	22,250	39	100,000
335,000	10,000,000	113,900	34	335,000
10,000,000	15,000,000	3,400,000	35	10,000,000
15,000,000	18,333,333	5,150,000	38	15,000,000
18,333,333		6,416,667	35	18,333,333

Note: There are no special federal capital gains rates for corporations. For corporations, capital losses are deductible only against capital gains. Corporations pay alternative minimum tax (AMT) at a 20% rate.

Stay abreast of pending tax legislation and keep in touch with your Financial Advisor.

Understanding the “sunset” provisions

Sunset provisions terminate some provisions of tax reform legislation enacted since 2001 at the end of 2012, unless extensions are enacted by future legislative action.

	2011/2012		2013	
Maximum individual income tax rate*	35%		39.6%	
Child Tax Credit	\$1,000		\$500	
Education Savings Account (ESA) contribution limit	\$2,000		\$500	
	Above the 15% tax bracket	15% or lower tax bracket	Above the 15% tax bracket	15% or lower tax bracket
Long-term capital gains tax rate	15%	0%	20%†	10%†
Qualifying dividends	15%	0%	Ordinary income tax rates	

* 10% tax bracket sunsets after 2012.

† Five-year rule regarding capital gains is reinstated providing potential for 8%/18% long-term capital gain tax rate. Ask your tax advisor for additional information.

Stay abreast of pending tax legislation and keep in touch with your Financial Advisor.

Municipal bond taxable-equivalent yields

*Based on various federal income tax brackets
(does not account for state taxes)*

		Tax-free yield (%)								
		3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0
Tax bracket (%)	Taxable-equivalent yield (%)									
10	3.3	3.9	4.4	5.0	5.6	6.1	6.7	7.2	7.8	
15	3.5	4.1	4.7	5.3	5.9	6.5	7.1	7.6	8.2	
25	4.0	4.7	5.3	6.0	6.7	7.3	8.0	8.7	9.3	
28	4.2	4.9	5.6	6.3	6.9	7.6	8.3	9.0	9.7	
33	4.5	5.2	6.0	6.7	7.5	8.2	9.0	9.7	10.4	
35	4.6	5.4	6.2	6.9	7.7	8.5	9.2	10.0	10.8	

Example: A taxpayer in the 28% federal income tax bracket would have to purchase a taxable investment yielding more than 6.9% to outperform a 5% tax-free investment.

Compounding

At hypothetical rates of return

4%					
Monthly investment		5 years	10 years	20 years	30 years
\$ 50	Amount invested	\$ 3,000	\$ 6,000	\$ 12,000	\$ 18,000
	Value	3,326	7,387	18,400	34,818
100	Amount invested	6,000	12,000	24,000	36,000
	Value	6,652	14,774	36,800	69,636
500	Amount invested	30,000	60,000	120,000	180,000
	Value	33,260	73,870	183,998	348,181
1,000	Amount invested	60,000	120,000	240,000	360,000
	Value	66,520	147,741	367,997	696,363

6%					
Monthly investment		5 years	10 years	20 years	30 years
\$ 50	Amount invested	\$ 3,000	\$ 6,000	\$ 12,000	\$ 18,000
	Value	3,506	8,235	23,218	50,477
100	Amount invested	6,000	12,000	24,000	36,000
	Value	7,012	16,470	46,435	100,954
500	Amount invested	30,000	60,000	120,000	180,000
	Value	35,059	82,349	232,176	504,769
1,000	Amount invested	60,000	120,000	240,000	360,000
	Value	70,119	164,699	464,351	1,009,538

8%					
Monthly investment		5 years	10 years	20 years	30 years
\$ 50	Amount invested	\$ 3,000	\$ 6,000	\$ 12,000	\$ 18,000
	Value	3,698	9,208	29,647	75,015
100	Amount invested	6,000	12,000	24,000	36,000
	Value	7,397	18,417	59,295	150,030
500	Amount invested	30,000	60,000	120,000	180,000
	Value	36,983	92,083	296,474	750,148
1,000	Amount invested	60,000	120,000	240,000	360,000
	Value	73,967	184,166	592,947	1,500,295

Values shown are based on investments made at the beginning of each month, compounded monthly, and do not reflect the return of any particular investment. These tables are for illustrative purposes only and do not reflect the effects of taxes or transaction costs.

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