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Wealth Appreciation™

As a mortgage professional committed to providing my clients with a “comprehensive” approach to the mortgage process I wanted to pass along a 2011 tax update to you. These figures include the changes from the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. However, please remember that tax laws can change in the future. Happy New Year!

**Tax Summary for 2010-2011**

**General Tax Figures**

**Marginal Tax Rates on Taxable Income**

	<b>2010</b>	<b>2011</b>
<b>Single</b>		
10%	\$0-\$8,375	<b>\$0-\$8,500</b>
15%	\$8,376-\$34,000	<b>\$8,501-\$34,500</b>
25%	\$34,001-\$82,400	<b>\$34,501-\$83,600</b>
28%	\$82,401-\$171,850	<b>\$83,601-\$174,400</b>
33%	\$171,851-\$373,650	<b>\$174,401-\$379,150</b>
35%	\$373,651+	<b>\$379,151</b>
<b>Married Filing Jointly</b>		
10%	\$0-\$16,750	<b>\$0-\$17,000</b>
15%	\$16,750-\$68,000	<b>\$17,001-\$69,000</b>
25%	\$68,001-\$137,300	<b>\$69,001-\$139,350</b>
28%	\$137,301-\$209,250	<b>\$13,351-\$212,300</b>
33%	\$209,251-\$373,650	<b>\$212,301-\$379,150</b>
35%	\$373,651+	<b>\$379,151+</b>

**Payroll Taxes- IRC sec. 3101, 3111, and 3121(a)**

	<b>2010</b>	<b>2011</b>
FICA (self-employed) OASDI + Medicare	15.3%	<b>13.3%</b>
FICA (Employer & Employee) OASDI + Medicare	7.65%	<b>Employer: 7.65%/ Employee: 5.65%</b>
OASDI Maximum Base	\$ 106,800	\$ 106,800

**Capital Gain Tax Rates- IRC sec. 1(h)**

For assets held 12 months or less	Capital Gain taxed as ordinary income.	Capital Gain taxed as ordinary income.
For assets held for more than 12 months	Qualifying Capital Gain taxed at 15% (0% for taxpayers in the 10% & 15% income tax brackets).	Extended for 2011-2012.

**Standard Deduction- IRC sec. 63(c)**

Married Filing Jointly	\$ 11,400	<b>\$ 11,600</b>
Married Filing Separate	\$ 5,700	<b>\$ 5,800</b>
Head of Household	\$ 8,400	<b>\$ 8,500</b>
Single	\$ 5,700	<b>\$ 5,800</b>
Additional amount for married persons who are 65 and over and/ or blind (per event)	\$ 1,100	<b>\$ 1,150</b>
Additional amount for unmarried persons who are 65 and over and/ or blind (per event)	\$ 1,400	<b>\$ 1,450</b>

**Itemized Deduction Limitation- IRC sec. 68**

	Repealed, there is no income phaseout for 2010.	Repeal extended for 2011-2012.
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**Personal & Qualifying Dependent Exemption Amount- IRC sec. 151(d)**

	\$ 3,650	<b>\$ 3,700</b>
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**Personal Exemption Phaseout- IRC sec. 151(d)**

	Repealed, there is no income phaseout for 2010.	Repeal extended for 2011-2012.
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<b>Child Tax Credit- IRC sec. 24(a)</b>	\$1,000 per qualifying child. Credit phases out for incomes greater \$110,000 for married filing jointly and \$75,000 for single filers.	Extended for 2011-2012.
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# Mortgage & Housing Related Tax Topics

	2010	2011
Mortgage Interest on Primary Residence-IRC sec. 163(a)	Interest on Qualifying Home Acquisition & Home Equity Indebtedness up to \$1.0 million plus \$100,000 of Home Equity Indebtedness on no more than 2 homes may be taken as an itemized deduction.	Interest on Qualifying Home Acquisition & Home Equity Indebtedness up to \$1.0 million plus \$100,000 of Home Equity Indebtedness on no more than 2 homes may be taken as an itemized deduction.
Mortgage Insurance on Primary Residence- IRC sec. 163(h)	Qualifying mortgage insurance premiums paid in connection with the acquisition of a primary residence during the years 2007-2010 may be deducted like qualifying mortgage interest. Deduction phases out for AGI's >\$100,000.	Extended for 2011 only.
Capital Gain Exclusion for sale of Primary Residence- IRC sec. 121(b)	Up to \$500,000 capital gain (\$250,000 for individuals) may be excluded from income so long as "ownership & use tests" are met.	Up to \$500,000 capital gain (\$250,000 for individuals) may be excluded from income so long as "ownership & use tests" are met.
Real Property Taxes paid to local government- IRC sec. 164(a)	Deductible as an itemized deduction for unlimited number of properties (property taxes on real property held for investment are deductible against rental income only).	Deductible as an itemized deduction for unlimited number of properties (property taxes on real property held for investment are deductible against rental income only).
Energy Efficient Improvements to Home- IRC sec. 25C	Tax credit available for 30% of expenditures on qualifying energy efficient improvements not to exceed a lifetime maximum of \$1,500.	Tax credit available for 30% of expenditures on qualifying energy efficient improvements not to exceed a lifetime maximum of \$500.

# Wealth Transfer & Retirement Tax Figures

Gift & Estate Tax	2010	2011
Annual Gift Tax Exclusion Amount- IRC sec. 2503(b)	\$13,000/ per donee	\$13,000/ per donee
Gift Tax Applicable Exclusion Amount-IRC sec. 2505(a)(1)	\$1,000,000	\$5,000,000
Estate Tax Applicable Exclusion Amount- IRC sec. 2010(c)	Option 1: estate tax based on 35% top rate and \$5,000,000 applicable exclusion amount, with stepped-up basis rules OR Option 2: No estate tax but modified stepped-up basis rules.	\$5,000,000

Retirement Plan Limits			
401(k) Maximum Deferral Amount- IRC sec. 401(k)	\$	16,500	\$ 16,500
IRA Contribution Limit- IRC sec. 219	\$	5,000	\$ 5,000
SIMPLE Plans Maximum Deferral Amount- IRC sec. 408(k)	\$	11,500	\$ 11,500
<b>Catch-up contribution eligible to those 50 years of age or older</b>			
401(k)	\$	5,500	\$ 5,500
IRA	\$	1,000	\$ 1,000
SIMPLE Plans	\$	2,500	\$ 2,500

IRA Phaseouts- IRC sec. 219(g)		
IRA contribution deduction phaseout for active participants in a qualified plan	Married Filing Jointly: \$89,000-\$109,000/ Individual: \$56,000-\$66,000	Married Filing Jointly: <b>\$90,000-\$110,000</b> / Individual: \$56,000-\$66,000
IRA contribution deduction phaseout for spouse of active participants in a qualified plan	\$166,000-\$176,000	<b>\$169,000-\$179,000</b>
Roth IRA contribution eligibility phaseout	Married Filing Jointly: \$166,000-\$176,000/ Individual: \$105,000-\$120,000	Married Filing Jointly: <b>\$169,000-\$179,000</b> / Individual: <b>\$107,000-\$122,000</b>
Eligibility for conversion of Traditional IRA to Roth IRA phaseout	no income limit	no income limit

Disclosure: Evan Swanson is not a tax professional and Mortgage Trust, Inc. is not a tax advisory firm. You are encouraged to contact a licensed tax professional for advice on how the following tax provisions will impact your individual circumstances.