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TICE TAX TIPS

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2011 / 2012 CHANGES

	<u>2011</u>	<u>2012</u>
PERSONAL EXEMPTION:	3,700.00	3,800.00
STANDARD DEDUCTION:		
SINGLE	5,800.00	5,950.00
MARRIED – FILING JOINT	11,600.00	11,900.00
MARRIED – FILING SEPARATE	5,800.00	5,950.00
HEAD OF HOUSEHOLD	8,500.00	8,700.00
ADDITIONAL DEDUCTION FOR ELDERLY AND BLIND:		
SINGLE	1,450.00	1,450.00
MARRIED	1,150.00	1,150.00
KIDDIE TAX ON UNEARNED INCOME (INCOME LIMITATION)	1,900.00	1,900.00
CHILD TAX CREDIT	1,000.00	1,000.00
STANDARD MILEAGE RATES PER MILE:		
BUSINESS MILES – JAN.-JUNE/JULY-DEC.	.51¢ / 55.5¢	55.5¢
CHARITABLE MILES	.14¢	.14¢
MEDICAL/MOVING – JAN.-JUNE/JULY-DEC.	.19¢ / 23.5¢	.23¢
SECTION 179 – DEPRECIATION:		
MAXIMUM 179 DEDUCTION	500,000.00	125,000.00
INVESTMENT LIMITATION	2,000,000.00	560,000.00
SUV LIMITATION (OVER 6000 POUNDS)	25,000.00	25,000.00

This letter is intended as an overview of some of the current trends and should not be construed as giving advice therefore no liability can be assumed in connection with its use.

	<u>2011</u>	<u>2012</u>
ESTATE TAX LIMITATION – UNIFIED CREDIT (NO FEDERAL ESTATE TAX UNDER THIS AMOUNT OF NET WORTH)	5,000,000.00	5,120,000.00
ANNUAL GIFT TAX EXCLUSION	13,000.00	13,000.00
MAXIMUM STUDENT LOAN INTEREST DEDUCTION	2,500.00	2,500.00
SAFE HARBOR LIMITATION FOR ESTIMATED PAYMENTS	110 %	110 %
IRA MAXIMUM CONTRIBUTIONS		
BASE CONTRIBUTION	5,000.00	5,000.00
AGE 50 & OVER CATCHUP	1,000.00	1,000.00
SIMPLE IRA MAXIMUM CONTRIBUTION		
BASE CONTRIBUTION	11,500.00	11,500.00
AGE 50 & OVER CATCHUP	2,500.00	2,500.00
401(k) 403(b) & 457 PLANS		
BASE CONTRIBUTION	16,500.00	17,000.00
AGE 50 & OVER CATCHUP	5,500.00	5,500.00
DEFINED CONTRIBUTION PLAN CONTRIBUTION LIMIT	49,000.00	50,000.00
DEFINED BENEFIT PLAN CONTRIBUTION LIMIT	195,000.00	200,000.00
IRC 415 COMPENSATION PLAN	245,000.00	250,000.00
HSA HEALTH PLAN LIMITATIONS		
SELF PLAN	3,050.00	3,100.00
FAMILY PLAN	6,150.00	6,250.00
AGE 55 & OVER CATCHUP	1,000.00	1,000.00
MINIMUM DEDUCTIBLE – SELF PLAN	1,200.00	1,200.00
MINIMUM DEDUCTIBLE – FAMILY PLAN	2,400.00	2,400.00
MAXIMUM DEDUCTIBLE – SELF PLAN	5,950.00	6,050.00
MAXIMUM DEDUCTIBLE – FAMILY PLAN	11,900.00	12,100.00

EDUCATION TAX CREDITS:

American Opportunity Tax Credit is still available for 2011 and 2012. It generally applies to students who are at least half-time or more during their first 4 years of higher education. There is a taxpayer income limitation for claiming this credit. The maximum credit is \$2,500.00 per student. It is calculated as follows:

1. 100% of the first \$2,000.00 of qualified higher education expenses (Tuition, fees, course materials) plus
2. 25% of the next \$2,000.00 of qualified higher education expenses.

Lifetime learning credit applies to students who are pursuing higher education to acquire or improve job skills, and is available for undergraduate, graduate, or professional courses. Income limitations also apply to this credit. The maximum credit is \$2,000.00 for each eligible student and is calculated as follows.

1. Qualified tuition and fees up to \$10,000.00 multiplied by a 20% credit.

These credits will expire at the end of 2012.

CAPITAL GAINS TAX RATES

Most long term capital gains and qualifying dividends are taxed at a maximum rate of 15%. Without any new legislation action long-term capital gains will be taxed at 20% in 2013 and qualifying dividend income will be taxed at ordinary tax rates.

FUTURE NEW TAXES (AFTER DECEMBER 31, 2012)

– YES – OBAMA STRIKES AGAIN –

A 3.8% tax (surtax) will apply to investment income of higher income taxpayers. The income threshold is \$125,000.00 for single, \$250,000.00 for married filing jointly.

Also – a hospital insurance tax kicks in at the same time on “earned income” that raises the Medicare tax rate from 1.45% to 2.35%.

NEW FORM 8949

Will be an attachment to Schedule D to report for stock sales, capital gains and other asset dispositions.

SOCIAL SECURITY TAX INCREASE FOR 2012 (I GUESS)

As I write this Congress is deadlocked and about to break for Christmas so who knows what will happen. Currently all U.S. employers are withholding 4.2% FICA (Social Security) tax from your paycheck. By law – unless they vote otherwise – the 2012 FICA rate will go back to 6.2% so after 1/1/12 we will all get a 2% pay cut. A paycheck in York, PA will look like this in 2012 for single – 0 dependents:

<u>GROSS</u>	<u>FICA 6.2%</u>	<u>Medicare 1.45%</u>	<u>Federal W/H</u>	<u>PA W/H 3.07%</u>
200.00	12.40	2.90	17.00	6.14
<u>LOCAL (Usually 1%)</u>	<u>PA UC .0008</u>	<u>NET PAYROLL</u>		
2.00	.16	159.40		

ATTENTION: EMPLOYERS – 2012 – LOCAL INCOME TAX RESIDENCY CERTIFICATION FORM IS NEW

Most employers have their employees fill out a new W-4 and I-9 form in January of each year. These forms are kept on file in the employer's office (you can print these forms off our website for free).

Many of the local income tax offices are merging together like York-Adams Tax Bureau and will require you to fill out a Residency Certification Form (see attached form) which is similar to Federal W-4 form except it asks for school district where they work and where they reside. You need to have each employee fill out this certificate and keep it on file. Some school districts have a rate higher than 1%. For example Dover School District is 1.4% and Gettysburg School District is 1.7%.

If an employee moves it is his / her responsibility to notify the employer and then fill out a new Residency Certification form. You – the employer – need to keep these certification forms on file. If an employee moves and does not tell you, York-Adams Tax Bureau will have the authority to bill you a higher tax rate if it is higher than what you withheld. Your only defense to stop this is a completed Residency Certification form that is in your possession to show the most recent address that the employee had given you. Very important: Make sure you have employees complete this in January 2012 and give a copy to each new employee upon being hired.

Happy Holidays to all and have a great 2012
Tice Associates, P.C.
Public Accountants



RESIDENCY CERTIFICATION FORM

Local Earned Income Tax Withholding

TO EMPLOYERS/TAXPAYERS:

This form is to be used by employers and/or taxpayers to report essential information for the collection and distribution of Local Earned Income Taxes. This form must be utilized by employers when a new employee is hired or when a current employee notifies employer of a name and/or address change.

EMPLOYEE INFORMATION - RESIDENCE LOCATION			
NAME (Last Name, First Name, Middle Initial)		SOCIAL SECURITY NUMBER	
STREET ADDRESS (No PO Box, RD or RR)			
SECOND LINE OF ADDRESS			
CITY	STATE	ZIP CODE	DAYTIME PHONE NUMBER
MUNICIPALITY (City, Borough or Township)			
COUNTY	RESIDENT PSD CODE	TOTAL RESIDENT EIT RATE	

EMPLOYER INFORMATION - EMPLOYMENT LOCATION			
EMPLOYER BUSINESS NAME (Use Federal ID Name)		EMPLOYER FEIN	
STREET ADDRESS WHERE ABOVE EMPLOYEE REPORTS TO WORK (No PO Box, RD or RR)			
SECOND LINE OF ADDRESS			
CITY	STATE	ZIP CODE	PHONE NUMBER
MUNICIPALITY (City, Borough or Township)			
COUNTY	WORK LOCATION PSD CODE	WORK LOCATION NON-RESIDENT EIT RATE	

CERTIFICATION	
Under penalties of perjury, I (we) declare that I (we) have examined this information, including all accompanying schedules and statements and to the best of my (our) belief, they are true, correct and complete.	
SIGNATURE OF EMPLOYEE	DATE (MM/DD/YYYY)
PHONE NUMBER	EMAIL ADDRESS

For information on obtaining the appropriate MUNICIPALITY (City, Borough, Township), PSD CODES and EIT (Earned Income Tax) RATES, please refer to the Pennsylvania Department of Community & Economic Development website:

www.newPA.com