



# 2012

## TAX REFERENCE GUIDE

 **Certified Public Accountants, S.C.**  
Tax, Audit and Business Strategy



## INDIVIDUALS

### 2012 INCOME TAX RATES - FEDERAL

#### MARRIED TAXPAYERS FILING JOINTLY OR SURVIVING SPOUSES

Base Taxable Income	Tax on Base	% on Excess Over Base
\$ 0	\$ 0	10%
\$ 17,400	\$ 1,740	15%
\$ 70,700	\$ 9,735	25%
\$ 142,700	\$ 27,735	28%
\$ 217,450	\$ 48,665	33%
\$ 388,350	\$ 105,062	35%

#### SINGLE

\$ 0	\$ 0	10%
\$ 8,700	\$ 870	15%
\$ 35,350	\$ 4,868	25%
\$ 85,650	\$ 17,443	28%
\$ 178,650	\$ 43,483	33%
\$ 388,350	\$ 112,684	35%

#### HEAD OF HOUSEHOLD

\$ 0	\$ 0	10%
\$ 12,400	\$ 1,240	15%
\$ 47,350	\$ 6,483	25%
\$ 122,300	\$ 25,220	28%
\$ 198,050	\$ 46,430	33%
\$ 388,350	\$ 109,229	35%

#### MARRIED FILING SEPARATELY

\$ 0	\$ 0	10%
\$ 8,700	\$ 870	15%
\$ 35,350	\$ 4,868	25%
\$ 71,350	\$ 13,868	28%
\$ 108,725	\$ 24,333	33%
\$ 194,175	\$ 52,531	35%

#### CAPITAL GAINS

LONG TERM: 15% rate (0% if in 10% or 15% bracket) held over 12 months

REAL ESTATE DEPRECIATION RECAPTURE: 25% maximum rate

COLLECTIBLES: 28% maximum rate

#### KIDDIE TAX

Special rules apply for taxation of unearned income greater than \$1,900 for a child who is under 18 or a student under age 24 whose earned income is not more than one-half of the child's support.

### ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, you are generally required to pay through withholding or estimated tax payments the lesser of:

- 100% of prior year tax liability, or
- 90% of current year tax liability.

In 2012, taxpayers with 2011 Adjusted Gross Income (AGI) \$150,000 (\$75,000 for married filing separately) must pay the lesser of:

- 110% of prior year tax liability, or
- 90% of current year tax liability.

2012 estimated tax payments for individuals are due in 2012 by:

April 17    June 15    September 17    January 15 (2013)

## INDIVIDUALS

### 2012 INCOME TAX RATES - WISCONSIN

#### MARRIED FILING JOINTLY

Base Taxable Income	Tax on Base	% on Excess Over Base
\$ 0	\$ 0	4.60%
\$ 14,090	\$ 648	6.15%
\$ 28,180	\$ 1,515	6.50%
\$ 211,330	\$ 13,419	6.75%
\$ 310,210	\$ 20,094	7.75%

#### SINGLE OR HEAD OF HOUSEHOLD

\$ 0	\$ 0	4.60%
\$ 10,570	\$ 486	6.15%
\$ 21,130	\$ 1,136	6.50%
\$ 158,500	\$ 10,065	6.75%
\$ 232,660	\$ 15,071	7.75%

#### MARRIED FILING SEPARATELY

\$ 0	\$ 0	4.60%
\$ 7,040	\$ 324	6.15%
\$ 14,090	\$ 757	6.50%
\$ 105,660	\$ 6,709	6.75%
\$ 155,110	\$ 10,047	7.75%

### 2012 INCOME TAX RATES - ILLINOIS

All filing statuses                      5%

### 2012 DEDUCTIONS AND EXEMPTIONS

#### STANDARD DEDUCTIONS\*

Married filing jointly	\$ 11,900
Single	\$ 5,950
Head of household	\$ 8,700
Married filing separately	\$ 5,950
Additional - blind or elderly	
Single	\$ 1,450
Married	\$ 1,150
Dependent	\$ 950**

The overall limitation on itemized deductions of higher income taxpayers does not apply for 2012.

\*You are allowed to deduct the greater of your standard deduction or your itemized deductions.

\*\*You are allowed to deduct the greater of the standard deduction or earned income plus \$300, up to the maximum of the regular standard deduction.

#### PERSONAL EXEMPTIONS

Deduction for each taxpayer, spouse, and dependent      \$ 3,800

Rules phasing out personal exemptions of higher income taxpayers do not apply for 2012.

### CHILD TAX CREDIT

\$1,000 credit per qualifying child under age 17 (may be refundable under certain circumstances).

Credit reduced by \$50 for every \$1,000 (or fraction) of modified Adjusted Gross Income (AGI) over threshold amounts of:

Married filing jointly	\$ 110,000
Single	\$ 75,000
Head of household	\$ 75,000
Married filing separately	\$ 55,000

## INDIVIDUALS

### ALTERNATIVE MINIMUM TAX (AMT)

Tax rate	26% < \$ 175,000	
	28% > \$ 175,000	
	<u>2011 Exemption Amount*</u>	<u>2011 Phase-out Range*</u>
Married filing jointly	\$ 74,450	\$ 150,000 – 447,800
Single	\$ 48,450	\$ 112,500 – 306,300
Head of household	\$ 48,450	\$ 112,500 – 306,300
Married filing separately	\$ 37,225	\$ 75,000 – 223,900

There is a refundable credit with respect to certain long-term unused AMT credits. Consult your SVA advisor for details.

\*Figures have not been adjusted for 2012.

### REQUIRED MINIMUM DISTRIBUTION TABLE

Required minimum distribution from IRA or qualified plan is the balance in the plan account as of 12/31 of the prior year (i.e., for 2012, 12/31/11) divided by the distribution period for the beneficiary's age as of the end of 2012.

Employee	Distribution Period	Age of Employee	Distribution Period	Age of Employee	Distribution Period
70	27.4	86	14.1	101	5.9
71	26.5	87	13.4	102	5.5
72	25.6	88	12.7	103	5.2
73	24.7	89	12.0	104	4.9
74	23.8	90	11.4	105	4.5
75	22.9	91	10.8	106	4.2
76	22.0	92	10.2	107	3.9
77	21.2	93	9.6	108	3.7
78	20.3	94	9.1	109	3.4
79	19.5	95	8.6	110	3.1
80	18.7	96	8.1	111	2.9
81	17.9	97	7.6	112	2.6
82	17.1	98	7.1	113	2.4
83	16.3	99	6.7	114	2.1
84	15.5	100	6.3	115+	1.9
85	14.8				

### 2012 RETIREMENT SAVINGS

#### INDIVIDUAL CONTRIBUTION LIMITATION

	<u>Born Before 1963</u>	<u>Born After 1962</u>
401(k), 403(b) & SARSEP Deferral Limit	\$ 22,500	\$ 17,000
SIMPLE Deferral Limit	\$ 14,000	\$ 11,500
457 Deferral Limit*	\$ 22,500	\$ 17,000
SEP ** ***	\$ 55,500	\$ 50,000
Profit sharing plans ** ****	\$ 55,500	\$ 50,000
Money purchase pension plans ** ****	\$ 55,500	\$ 50,000

Compensation for self-employed persons is net self-employment income, less ½ self-employment tax, less certain retirement contributions.

\*Not applicable to all 457 plans; see your plan provider.

\*\*Contributions aggregated from all plans (excluding 401(k), SIMPLE or SARSEP deferrals) are not deductible if they exceed 25% of the total compensation of all eligible employees.

\*\*\*Lesser of contribution or 25% of compensation.

\*\*\*\*Lesser of contribution or 100% of compensation.

## INDIVIDUALS

### ANNUAL COMPENSATION LIMIT

Annual compensation limit is \$250,000 for 2012. Earnings in excess of \$250,000 cannot be used in computing contributions and benefits for most qualified retirement plans.

### INDIVIDUAL RETIREMENT ACCOUNTS

\$5,000 maximum deduction per taxpayer including non-working spouse (limit applies to combined contributions to ALL IRAs). If born before 1963, the maximum deduction is \$6,000.

REGULAR IRA:

Phase-out ranges for active participant in another qualified plan:		
Married filing jointly	\$ 92,000 - 112,000 AGI	(no deduction if AGI over limits)
Single	\$ 58,000 - 68,000 AGI	
Head of household	\$ 58,000 - 68,000 AGI	
Married filing separately	\$ 0 - 10,000 AGI	

Phase-out range for non-active participant spouse of active participant in another plan:

Married filing jointly	\$ 173,000 - 183,000 AGI
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ROTH IRA:

Non-deductible contribution: \$5,000 maximum (\$6,000 if born before 1963)

Phase-out ranges for contribution:

Married filing jointly	\$ 173,000 - 183,000 AGI
Single	\$ 110,000 - 125,000 AGI
Head of household	\$ 110,000 - 125,000 AGI
Married filing separately	\$ 0 - 10,000 AGI

There is no AGI income limit for taxpayers wishing to convert a regular IRA to a Roth IRA. Unlike 2010 conversions, the tax cannot be spread over two years.

### SAVER'S TAX CREDIT

Tax credit equal to applicable percentage of first \$2,000 of contributions to IRA, Roth IRA, 401(k), 403(b), 457, SIMPLE, or SEP plans. Maximum credit is \$1,000. Credit does not apply if under age 18, a full-time student, or can be claimed as a dependent by another taxpayer. AGI phase-out range applies and determines applicable percentage. Other limits may apply.

## FIDUCIARY

### 2012 FIDUCIARY TAX RATES - FEDERAL

Base Taxable Income	Tax on Base	% on Excess Over Base
\$ 0	\$ 0	15%
\$ 2,400	\$ 360	25%
\$ 5,600	\$ 1,160	28%
\$ 8,500	\$ 1,972	33%
\$ 11,650	\$ 3,012	35%

### 2012 FIDUCIARY TAX RATES - WISCONSIN

Base Taxable Income	Tax on Base	% on Excess Over Base
\$ 0	\$ 0	4.60%
\$ 10,570	\$ 486	6.15%
\$ 21,130	\$ 1,136	6.50%
\$ 158,500	\$ 10,065	6.75%
\$ 232,660	\$ 15,071	7.75%

## ESTATE AND GIFT

### ESTATE AND GIFT TAX RATES

Base Amount Subject to Tax	Tax Before Credits*	% on Excess Over Base
\$ 0	\$ 0	18%
\$ 10,000	\$ 1,800	20%
\$ 20,000	\$ 3,800	22%
\$ 40,000	\$ 8,200	24%
\$ 60,000	\$ 13,000	26%
\$ 80,000	\$ 18,200	28%
\$ 100,000	\$ 23,800	30%
\$ 150,000	\$ 38,800	32%
\$ 250,000	\$ 70,800	34%
\$ 500,000	\$ 155,800	35%

The total amount of tax-free transfers a person may make during his or her lifetime is \$5,120,000 in addition to annual exclusion gifts.

There is no Wisconsin estate tax for deaths occurring in 2012.

The Illinois exemption equivalent is \$2,000,000.

\*Tax shown above is before the application of the lifetime unified credit of \$1,772,800, which is equivalent to an exemption of \$5,120,000 (applies to gifts made and estates of decedents dying during 2012).

### ANNUAL GIFT TAX EXCLUSION

Gifts per person	\$ 13,000
Joint gifts by spouses	\$ 26,000
Gifts to non-U.S. citizen spouse	\$ 139,000

## CORPORATE

### 2012 INCOME TAX RATES - FEDERAL

#### REGULAR TAX

Taxable Income	Rate
\$ 0 - 50,000	15%
\$ 50,001 - 75,000	25%
\$ 75,001 - 100,000	34%
\$ 100,001 - 335,000	39%
\$ 335,001 - 10,000,000	34%
\$ 10,000,001 - 15,000,000	35%
\$ 15,000,001 - 18,333,333	38%
\$ >18,333,334	35%

#### CAPITAL GAINS TAX RATE

Same as regular tax rate

#### PERSONAL SERVICE CORPORATIONS

Taxed at flat rate of 35%

#### ALTERNATIVE MINIMUM TAX (AMT)

Tax rate	20%
Exemption amount	\$40,000*

AMT repealed for small business corporations for taxable years beginning after 12/31/97. (Small business corporation - 3-year average gross receipts of less than \$7,500,000 (\$5,000,000 for 1st 3-year period).)

\* Phased out for AMT income above \$150,000

## CORPORATE

### 2012 STATE TAX RATES - OTHER

	WISCONSIN	ILLINOIS
Corporate	7.9%	7%
Replacement Tax		
C Corporations	N/A	2.5%
Partnerships, S Corporations, Trusts	N/A	1.5%

## MISCELLANEOUS

### 2012 DEDUCTIONS, CREDITS AND OTHER

#### NON BUSINESS ENERGY PROPERTY CREDIT

There is a credit for residential energy efficient property placed in service in 2006 - 2016. This credit is equal to 30% of the cost of the following property: solar energy property, solar water heating property, fuel cells, small wind energy systems and geothermal heat pumps.

#### SELF EMPLOYED MEDICAL INSURANCE PREMIUMS

Self-employed individuals may subtract above-the-line 100% of the amount paid during the year for medical insurance.

#### STANDARD MILEAGE DEDUCTIONS

Business	55.5¢ per mile
Charitable	14¢ per mile
Medical	23¢ per mile
Moving	23¢ per mile

### 2012 EMPLOYMENT TAX RATES

#### SOCIAL SECURITY TAXES

	Employer Tax Rate	Employee Tax Rate	Self-Employed Tax Rate	Wage Base 2012
FICA	6.20%	4.20%*	10.40%	\$110,100
Medicare	1.45%	1.45%	2.90%	No Limit
Total	7.65%	5.65%	13.30%	

\*Higher rates may apply—consult your SVA tax advisor.

### 2012 SOCIAL SECURITY BENEFITS

#### MAXIMUM ANNUAL EARNED INCOME LIMIT

Under full retirement age	\$14,640
Full retirement age	No limit

If reaching full retirement age in 2012, limit is \$3,240/month until the month you reach full retirement age.

#### TAXABLE BENEFITS

Social Security received is taxable if Adjusted Gross Income (AGI), plus tax-exempt interest, and one half of Social Security received exceeds the base amounts. The taxable amount is the lesser of the percentage of excess over the base amount, or the percentage of benefit received.

	50%	85%
Married filing jointly	\$ 32,001 - 44,000	\$ 44,001 +
Single/Head of household	\$ 25,001 - 34,000	\$ 34,001 +
Married filing separately	\$ 0	\$ 0

Wisconsin and Illinois do not tax Social Security benefits.

# MISCELLANEOUS

## 2012 DEPRECIATION RATES

### ASSETS

#### 3 - YEAR ASSETS (200% DB)

Dies, molds, small tools, certain horses

#### 5 - YEAR ASSETS (200% DB)

Autos, light/heavy-duty trucks, computers, typewriters, copiers, medical equipment, construction equipment, wholesale/retail equipment, oil and gas drilling equipment, private aircraft, some manufacturing equipment, tangible personal property used in rental real estate activity

#### 7 - YEAR ASSETS (200% DB)

Most manufacturing equipment, office furniture, printing equipment, oil and gas production equipment

#### 7 - YEAR ASSETS (150% DB)

Farm equipment

#### 15 - YEAR ASSETS (150% DB)

Landscaping, paving, sidewalks and non-agricultural fences

#### 27<sup>1/2</sup> - YEAR ASSETS (Straight-line)

Rental houses, apartments, low-income housing

#### 39 - YEAR ASSETS (Straight-line)

Qualified leasehold improvements, retail improvement property and restaurant property

#### 39 - YEAR ASSETS (Straight-line)

Office buildings, shopping centers, warehouses, manufacturing facilities

### ANNUAL RECOVERY

#### Percent of Original Depreciable Basis Under 200% DB Method

(Not applicable for mid-quarter convention)

Recovery Year	3 - Year Class	5 - Year Class	7 - Year Class
1	33.33	20.00	14.29
2	44.45	32.00	24.49
3	14.81	19.20	17.49
4	7.41	11.52	12.49
5		11.52	8.93
6		5.76	8.92
7			8.93
8			4.46

### REAL PROPERTY DEPRECIATION

#### Recovery Percentages for Residential Rental Property (27.5 Year)

(Rounded to two decimal points)

Recovery

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.48	3.18	2.88	2.58	2.27	1.97	1.67	1.36	1.06	.76	.45	.15
2 - 27	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64
28	1.97	2.27	2.58	2.88	3.18	3.49	3.64	3.64	3.64	3.64	3.64	3.64
29	0	0	0	0	0	0	.15	.46	.76	1.06	1.36	1.67

#### Recovery Percentages for Nonresidential Real Property (39 Year)

(Rounded to three decimal points)

Property placed in service after 5/12/93

Recovery

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	2.461	2.247	2.033	1.819	1.605	1.391	1.177	.963	.749	.535	.321	.107
2 - 39	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564
40	.107	.321	.535	.749	.963	1.177	1.391	1.605	1.819	2.033	2.247	2.461

# MISCELLANEOUS

## SECTION 179

**Federal and Illinois:** The limitation on expensing depreciable business property is \$139,000 for taxable years beginning in 2012. This amount is reduced by the amount of qualifying property placed in service during the year that exceeds \$560,000.

Heavy SUVs that weigh 6,000-14,000 pounds are limited to \$25,000 of Section 179 expense.

**Wisconsin:** Maximum expensing limit is \$25,000 and is reduced if qualifying property placed in service exceeds \$200,000.

### BONUS DEPRECIATION

Bonus depreciation in the amount of 50% of the cost of qualified property is allowed for new assets placed in service after December 31, 2011 and before January 1, 2013. Taxpayer may elect out of special bonus depreciation by attaching a statement to the return. (Does not apply for Wisconsin.)

### VEHICLE DEPRECIATION

Maximum depreciation deduction for passenger vehicles placed in service in 2012. (At time of publication, not yet adjusted for inflation.)

	Cars	Vans/Trucks
1st Year	\$ 3,160*	\$ 3,360 *
2nd Year	\$ 5,100	\$ 5,300
3rd Year	\$ 3,050	\$ 3,150
Remaining Years	\$ 1,875	\$ 1,875

\*Add \$8,000 to the first year limit if bonus depreciation is claimed on the vehicle.

### EDUCATIONAL OPTIONS

#### AMERICAN OPPORTUNITY CREDIT (FORMERLY KNOWN AS HOPE SCHOLARSHIP CREDIT)

The maximum non-refundable credit is \$2,500 per student (100% of the first \$2,000 and 25% of the next \$2,000 of tuition, fees and course materials) for the first four years of post-secondary education. For purposes of the credit, the definition of qualified tuition and related expenses is expanded to include course materials. Up to 40% of the credit may be refundable under certain circumstances.

For married taxpayers filing a joint return, the Adjusted Gross Income phase-out range is \$160,000-180,000. The credit is not available for married taxpayers filing a separate return. For all other taxpayers, the Adjusted Gross Income phase-out range is \$80,000-90,000.

#### LIFETIME LEARNING CREDIT

The maximum non-refundable credit is \$2,000 per tax return (20% of up to \$10,000 qualified education tuition and fees).

For married taxpayers filing a joint return, the Adjusted Gross Income phase-out range begins at \$104,000. The credit is not available for married taxpayers filing a separate return. For all other taxpayers, the Adjusted Gross Income phase-out range begins at \$52,000.

#### COVERDELL EDUCATION SAVINGS ACCOUNTS (EDUCATION IRA)

Non-deductible contributions of up to \$2,000 per beneficiary per year.

## MISCELLANEOUS

### EDUCATIONAL OPTIONS

#### STUDENT LOAN INTEREST DEDUCTION

Maximum deduction for 2012 is \$2,500 for interest on qualified education loans.

For married taxpayers filing a joint return, the Adjusted Gross Income phase-out range is \$125,000-155,000. The deduction is not available for married taxpayers filing a separate return. For all other taxpayers, the Adjusted Gross Income phase-out range is \$60,000-75,000.

#### QUALIFIED TUITION PROGRAMS/529 PLANS/EDVEST

Wisconsin allows a subtraction of up to \$3,000 per child, spouse, taxpayer, grandchild, great-grandchild, niece or nephew for contributions made to the EdVest College Savings Program. Special rules apply for formerly married parents.

Illinois allows a subtraction for contributions made to the following 529 plans: "College Illinois", Bright Start College Savings Plan, and Bright Directions College Savings Program. A maximum of \$10,000 (\$20,000 joint return) is deductible.

### PER DIEM RATES

Continental U.S. (CONUS)	Lodging	Meals + Incidental Expenses (M&IE)	Total
Standard Rate*	\$77	\$46	\$123

\*Higher rates may apply to designated "high cost" areas and travel outside of the continental U.S.

### HEALTH SAVINGS ACCOUNTS (HSAs)

An HSA is a savings account set up for paying qualified medical expenses of the account beneficiary, spouse or dependent.

#### ELIGIBILITY

An eligible individual:

- Must be covered under a high deductible health plan (HDHP).
- May not be covered under any other non-HDHP.
- Cannot be over 64 and enrolled in Medicare.
- Cannot be claimed as a dependent.

#### HIGH DEDUCTIBLE HEALTH PLAN

The annual deductible is \$1,200 (self-only) or \$2,400 (family).

Annual expenses are limited to \$6,050 (self-only) or \$12,100 (family).

#### CONTRIBUTIONS

Type of Coverage	Under age 55	Age 55 & Older
Self-only	\$3,100	\$4,100
Family	\$6,250	\$7,250

#### STATE TREATMENT OF HSAs

- Wisconsin follows the HSA provisions of federal law except for the imposition of penalties for taxable years beginning on January 1, 2011. A Wisconsin adjustment may be needed if: (1) a taxpayer had a federal HSA before 2011; (2) the taxpayer was not allowed a deduction for Wisconsin purposes for contributions to that account; (3) the taxpayer reported the earnings on the account as income; and (4) the taxpayer has a balance in the account as of December 31, 2010. Please consult your tax advisor.
- Illinois follows federal rules.

### PROVISIONS THAT MAY BE EXTENDED FOR 2012

Consult with your SVA advisor regarding the following:

- Tax-free IRA distribution to charity
- Educator expenses
- Deduction for sales tax
- R&D credits
- Higher education tuition and fees

*Information is current as of 3/5/2012*

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