

(2005)

Tax
Reference
Guide



**Suby, Von Haden &
Associates, S.C.**

CERTIFIED PUBLIC ACCOUNTANTS

INDIVIDUALS

2005 INCOME TAX RATES - FEDERAL

MARRIED TAXPAYERS FILING JOINTLY OR SURVIVING SPOUSES

| Base Taxable Income | Tax on Base | % on Excess Over Base |
|---------------------|-------------|-----------------------|
| \$ 0 | \$ 0 | 10% |
| \$ 14,600 | \$ 1,460 | 15% |
| \$ 59,400 | \$ 8,180 | 25% |
| \$ 119,950 | \$ 23,318 | 28% |
| \$ 182,800 | \$ 40,916 | 33% |
| \$ 326,450 | \$ 88,320 | 35% |

SINGLE

| | | |
|------------|-----------|-----|
| \$ 0 | \$ 0 | 10% |
| \$ 7,300 | \$ 730 | 15% |
| \$ 29,700 | \$ 4,090 | 25% |
| \$ 71,950 | \$ 14,653 | 28% |
| \$ 150,150 | \$ 36,549 | 33% |
| \$ 326,450 | \$ 94,728 | 35% |

HEAD OF HOUSEHOLD

| | | |
|------------|-----------|-----|
| \$ 0 | \$ 0 | 10% |
| \$ 10,450 | \$ 1,045 | 15% |
| \$ 39,800 | \$ 5,448 | 25% |
| \$ 102,800 | \$ 21,198 | 28% |
| \$ 166,450 | \$ 39,020 | 33% |
| \$ 326,450 | \$ 91,820 | 35% |

MARRIED FILING SEPARATELY

| | | |
|------------|-----------|-----|
| \$ 0 | \$ 0 | 10% |
| \$ 7,300 | \$ 730 | 15% |
| \$ 29,700 | \$ 4,090 | 25% |
| \$ 59,975 | \$ 11,659 | 28% |
| \$ 91,400 | \$ 20,458 | 33% |
| \$ 163,225 | \$ 44,160 | 35% |

CAPITAL GAINS

LONG TERM: 15% rate (5% if in 15% bracket) held over 12 months

REAL ESTATE DEPRECIATION RECAPTURE: 25% maximum rate

COLLECTIBLES: 28% maximum rate

ESTIMATED TAX PAYMENT

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

1. 100% of prior year tax liability, or
2. 90% of current year tax liability.

In 2005, taxpayers with 2004 AGI greater than \$150,000 (greater than \$75,000 for married filing separately) must pay the lesser of:

1. 90% of the current year tax liability, or
2. 110% of the 2004 tax.

2005 estimated tax payments for individuals are due in 2005 by:

April 15 June 15 September 15 January 17 (2006)

INDIVIDUALS

2005 STATE TAX RATES - WISCONSIN INDIVIDUAL

MARRIED FILING JOINTLY

| Base Taxable Income | Tax on Base | % on Excess Over Base |
|------------------------|-------------|--------------------------|
| \$ 0 | \$ 0 | 4.60% |
| \$ 11,780 | \$ 542 | 6.15% |
| \$ 23,570 | \$ 1,267 | 6.50% |
| \$ 176,770 | \$ 11,225 | 6.75% |

SINGLE & HEAD OF HOUSEHOLD

| | | |
|------------|----------|-------|
| \$ 0 | \$ 0 | 4.60% |
| \$ 8,840 | \$ 407 | 6.15% |
| \$ 17,680 | \$ 950 | 6.50% |
| \$ 132,580 | \$ 8,419 | 6.75% |

MARRIED FILING SEPARATELY

| | | |
|-----------|----------|-------|
| \$ 0 | \$ 0 | 4.60% |
| \$ 5,890 | \$ 271 | 6.15% |
| \$ 11,780 | \$ 633 | 6.50% |
| \$ 88,390 | \$ 5,613 | 6.75% |

2005 STATE TAX RATES - ILLINOIS INDIVIDUAL

All filing statuses 3%

2005 STATE TAX RATES - OTHER

| | WISCONSIN | ILLINOIS |
|--------------------------------------|-----------|----------|
| Corporate | 7.9% | 4.8% |
| Replacement Tax | | |
| C Corporations | N/A | 2.5% |
| Partnerships, S Corporations, Trusts | N/A | 1.5% |

2005 DEDUCTIONS & EXEMPTIONS

STANDARD DEDUCTIONS*

| | |
|-------------------------------|-----------|
| Married filing jointly | \$10,000 |
| Single | \$ 5,000 |
| Head of household | \$ 7,300 |
| Married filing separately | \$ 5,000 |
| Additional - blind or elderly | |
| Single | \$ 1,250 |
| Married | \$ 1,000 |
| Dependent | \$ 800 ** |

* 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 \$250 up to the maximum of the regular basic standard deduction.

Some itemized deductions are phased out for upper bracket taxpayers beginning at \$72,975 married filing separately and \$145,950 for all others.

PERSONAL EXEMPTIONS

Deduction for each taxpayer, spouse, and dependent \$ 3,200*

* Phased out in 2005 for upper bracket taxpayers beginning at \$218,950 for joint return, \$145,950 for single, \$182,450 for head of household, and \$109,475 for married filing separately.

INDIVIDUALS

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 AGI over threshold amounts of:

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

ALTERNATIVE MINIMUM TAX (AMT)

| | |
|----------|------------------|
| Tax rate | 26% ≤ \$ 175,000 |
| | 28% > \$ 175,000 |

| | <u>Exemption Amount</u> | <u>Phase-out Range</u> |
|---------------------------|-------------------------|------------------------|
| Single | \$ 40,250 | \$ 112,500 - 273,500 |
| Head of household | \$ 40,250 | \$ 112,500 - 273,500 |
| Married filing jointly | \$ 58,000 | \$ 150,000 - 382,000 |
| Married filing separately | \$ 29,000 | \$ 75,000 - 191,000 |

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 2005, 12/31/04) divided by the distribution period for the beneficiary's age as of the end of 2005.

| <u>Age of Employee</u> | <u>Distribution Period</u> | <u>Age of Employee</u> | <u>Distribution Period</u> | <u>Age of Employee</u> | <u>Distribution Period</u> |
|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|
| 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 | | | | |

2005 RETIREMENT

INDIVIDUAL CONTRIBUTION LIMITATION

| | <u>Born Before 1956</u> | <u>Born After 1955</u> |
|--|--|------------------------|
| 401(k), 403(b) & SARSEP Deferral Limit | \$ 18,000 | \$ 14,000 |
| SIMPLE Deferral Limit | \$ 12,000 | \$ 10,000 |
| 457 Deferral Limit* | \$ 18,000 | \$ 14,000 |
| SEP | The lesser of 25% of compensation or \$42,000** | |
| Profit sharing plans | The lesser of 100% of compensation or \$42,000** | |
| Money purchase pension plans | The lesser of 100% of compensation or \$42,000** | |

* 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.

Compensation for self-employed persons is net self-employment income, less 1/2 self-employment tax, less certain retirement contributions.

ANNUAL COMPENSATION LIMIT

Annual compensation limit is \$210,000 for 2005.

Earnings in excess of \$210,000 cannot be used in computing contributions and benefits for most qualified retirement plans.

INDIVIDUAL RETIREMENT ACCOUNTS

\$4,000 maximum deduction per taxpayer including non-working spouse (limit applies to combined contributions to ALL IRAs). If born before 1956, the maximum deduction is \$4,500.

REGULAR IRA:

Phase-out ranges for active participant in another qualified plan:

| | | |
|---------------------------|------------------------|---------------|
| Single | \$ 50,000 - 60,000 AGI | (no deduction |
| Head of household | \$ 50,000 - 60,000 AGI | if AGI over |
| Married filing jointly | \$ 70,000 - 80,000 AGI | limits) |
| Married filing separately | \$ 0 - 10,000 AGI | |

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

Married filing jointly \$ 150,000 - 160,000 AGI

ROTH IRA:

Non-deductible contribution - \$4,000 maximum (\$4,500 if born before 1956)

Phase-out ranges for contribution:

| | |
|---------------------------|--------------------------|
| Single | \$ 95,000 - 110,000 AGI |
| Head of household | \$ 95,000 - 110,000 AGI |
| Married filing jointly | \$ 150,000 - 160,000 AGI |
| Married filing separately | \$ 0 - 10,000 AGI |

Rollover of regular IRA to Roth IRA: AGI in year of rollover must be \leq \$100,000.

SAVER'S TAX CREDIT

Tax credit equal to applicable percentage (below) 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.

Phase-out ranges:

| | | |
|---------------------------|--------------------|------------|
| Married filing jointly | \$ 0 - 30,000 | 50% credit |
| | \$ 30,001 - 32,500 | 20% credit |
| | \$ 32,501 - 50,000 | 10% credit |
| Single | \$ 0 - 15,000 | 50% credit |
| | \$ 15,001 - 16,250 | 20% credit |
| | \$ 16,251 - 25,000 | 10% credit |
| Married filing separately | \$ 0 - 15,000 | 50% credit |
| | \$ 15,001 - 16,250 | 20% credit |
| | \$ 16,251 - 25,000 | 10% credit |
| Head of household | \$ 0 - 22,500 | 50% credit |
| | \$ 22,501 - 24,375 | 20% credit |
| | \$ 24,376 - 37,500 | 10% credit |

FIDUCIARY

2005 FIDUCIARY TAX RATES - FEDERAL

| Base Taxable Income | Tax on Base | % on Excess Over Base |
|------------------------|-------------|--------------------------|
| \$ 0 | \$ 0 | 15% |
| \$ 2,000 | \$ 300 | 25% |
| \$ 4,700 | \$ 975 | 28% |
| \$ 7,150 | \$ 1,661 | 33% |
| \$ 9,750 | \$ 2,519 | 35% |

2005 FIDUCIARY TAX RATES - WISCONSIN

| Base Taxable Income | Tax on Base | % on Excess Over Base |
|------------------------|-------------|--------------------------|
| \$ 0 | \$ 0 | 4.60% |
| \$ 8,840 | \$ 407 | 6.15% |
| \$ 17,680 | \$ 950 | 6.50% |
| \$ 132,580 | \$ 8,419 | 6.75% |

INDIVIDUALS

2005 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 | 37% |
| \$ 750,000 | \$ 248,300 | 39% |
| \$ 1,000,000 | \$ 345,800 | 41% |
| \$ 1,250,000 | \$ 448,300 | 43% |
| \$ 1,500,000 | \$ 555,800 | 45% |
| \$ 2,000,000 | \$ 780,800 | 47% |

* Tax shown above is before the application of the **lifetime unified credit of \$555,800** which is equivalent to an **exemption of \$1,500,000** (applies to gifts made and estates of decedents dying during 2005). The exemption equivalent for Wisconsin for deaths occurring in 2005 is \$675,000. The Illinois exemption equivalent is equal to the federal amount of \$1,500,000.

The total amount of tax-free transfers a person may make during their lifetime is \$1,000,000 in addition to annual exclusion gifts.

ANNUAL GIFT TAX EXCLUSION

| | |
|------------------------|-----------|
| Gifts per person | \$ 11,000 |
| Joint gifts by spouses | \$ 22,000 |

2005 SOCIAL SECURITY BENEFITS

MAXIMUM ANNUAL EARNED INCOME LIMIT

| | |
|-----------------|-----------|
| Ages 62-64 | \$ 12,000 |
| Age 65 or older | No limit |

In year turning age 65, limit is \$2,650/month until the month you turn 65

TAXABLE BENEFITS

Social security received is taxable if AGI (Adjusted Gross Income), plus tax-exempt interest, and one half of social security received exceeds these base amounts:

The taxable amount is the lesser of:

1. % of excess over the base amount
2. % 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 |

VEHICLE DEPRECIATION

Maximum depreciation deduction for passenger vehicles placed in service in 2004. (At time of publication, not yet updated for 2005.)

| | Cars (non-electric) | Vans/ Trucks | Electric Cars |
|-----------------|------------------------|-----------------|------------------|
| 1st Year | \$ 2,960 | \$ 3,260 | \$ 8,880 |
| 2nd Year | \$ 4,800 | \$ 5,300 | \$ 14,300 |
| 3rd Year | \$ 2,850 | \$ 3,150 | \$ 8,550 |
| Remaining Years | \$ 1,675 | \$ 1,875 | \$ 5,125 |

CORPORATE

2005 INCOME TAX RATES

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% |
| \$ >18,333,333 | | 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* |

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

AMT repealed for small business corporations for taxable years beginning after December 31, 1997. (Small business corporation - 3 year average gross receipts of less than \$7,500,000 (\$5,000,000 for 1st 3 year period))

MISCELLANEOUS

2005 EMPLOYMENT TAX RATES

SOCIAL SECURITY TAXES

| | Employer or Employee | Self-Employed | Wage Base | |
|----------|----------------------|---------------|-----------|----------|
| | Tax Rate | Tax Rate | 2004 | 2005 |
| FICA | 6.20% | 12.40% | \$87,900 | \$90,000 |
| Medicare | 1.45% | 2.90% | No Limit | |
| Total | 7.65% | 15.30% | | |

2005 DEDUCTIONS

SECTION 179

The limitation on expensing depreciable business (DB) property is \$105,000 for taxable years beginning in 2005, although for Wisconsin purposes it remains at \$25,000. Illinois follows the federal limitation.

Heavy SUVs placed in service after 10/22/04 that weigh 6,000 - 14,000 lbs are limited to \$25,000 of §179 expense.

TAX PAYMENTS

Employers with more than \$200,000 in depository taxes in 2003 are required to electronically deposit all depository taxes (i.e., payroll taxes, corporate income and estimated taxes, excise taxes, other withheld taxes) using the Electronic Federal Tax Payment System (EFTPS).

STANDARD MILEAGE DEDUCTIONS

| | |
|------------|----------------|
| Business | 40.5¢ per mile |
| Charitable | 14¢ per mile |
| Medical | 15¢ per mile |
| Moving | 15¢ per mile |

SELF-EMPLOYED MEDICAL INSURANCE PREMIUMS

The deduction limitation for self-employed medical insurance premiums is 100%.

MISCELLANEOUS

2005 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 (Straight-line)

Qualified leasehold improvements and restaurant property placed in service after 10/22/04 and before 1/1/06

27 1/2 - YEAR ASSETS (Straight-line)

Rental houses, apartments, low-income housing

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 | 1.88 | 2.18 | 2.48 | 2.78 | 3.09 | 3.39 | 3.64 | 3.64 | 3.64 | 3.64 | 3.64 | 3.64 |
| 29 | 0 | 0 | 0 | 0 | 0 | 0 | .05 | .36 | .66 | .96 | 1.27 | 1.57 |

Recovery Percentages for Nonresidential Real Property (39 Year)

(Rounded to three decimal points)

Property placed in service after May 12, 1993

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

EDUCATIONAL OPTIONS

Either credit may be claimed on a per student basis, and distributions from an education IRA may be excluded from income as long as the distribution is not used for the same educational expenses for which the credit is claimed.

HOPE SCHOLARSHIP CREDIT

Non-refundable credit of up to \$1,500 per student for 1st two years of post-secondary education. (100% of 1st \$1,000 and 50% of 2nd \$1,000 of qualified tuition and fees.) See phase-out ranges under Lifetime Learning Credit below.

LIFETIME LEARNING CREDIT

Non-refundable credit of up to \$2,000 (20% of up to \$10,000 of qualified tuition and fees) per tax return for expenses paid and education after January 1, 2005. (Adjusted Gross Income represented as AGI.)

Phase-out ranges for both credits:

| | |
|---------------------------|-------------------------|
| Single | \$ 43,000 - 53,000 AGI |
| Head of household | \$ 43,000 - 53,000 AGI |
| Married filing jointly | \$ 87,000 - 107,000 AGI |
| Married filing separately | credit not available |

COVERDELL EDUCATION SAVINGS ACCOUNTS (EDUCATION IRA)

Non-deductible contributions of up to \$2,000 per beneficiary per year. Distributions excludable from gross income if used to pay qualified education expenses. Phase-out ranges:

| | |
|---------------------------|-------------------------|
| Single | \$ 95,000 - 110,000 AGI |
| Head of household | \$ 95,000 - 110,000 AGI |
| Married filing jointly | \$190,000 - 220,000 AGI |
| Married filing separately | \$ 95,000 - 110,000 AGI |

STUDENT LOAN INTEREST DEDUCTION

Maximum deduction for 2005 is \$2,500 for interest on qualified education loans. Phase-out of deduction:

| | |
|---------------------------|-------------------------|
| Single | \$ 50,000 - 65,000 AGI |
| Head of household | \$ 50,000 - 65,000 AGI |
| Married filing jointly | \$105,000 - 135,000 AGI |
| Married filing separately | not available |

HIGHER EDUCATION EXPENSES

Annual deduction of up to \$4,000 allowed for taxpayers with AGI not more than \$65,000 (\$130,000 for joint return).

Annual deduction of up to \$2,000 allowed for taxpayers with AGI of \$65,001 - \$80,000 (\$130,001 - \$160,000 for joint return).

No deduction if AGI over \$80,000 (\$160,000 for joint return).

QUALIFIED TUITION PROGRAMS/529 PLANS/EDVEST

Wisconsin allows a subtraction from income of up to \$3,000 per dependent child, spouse, taxpayer, grandchild, great-grandchild, niece, or nephew for contributions made to the EdVest College Savings Program.

Illinois allows a subtraction up to \$10,000 from income for contributions to The Bright Start College Savings Program. Illinois also allows a subtraction up to \$10,000 in contributions to "College Illinois," Illinois' Prepaid Tuition Trust Fund.

PER DIEM RATES

| Continental U.S. (CONUS) | Lodging | Meals + Incidental Expenses (M&IE) | Total |
|-----------------------------|---------|---------------------------------------|-------|
| Standard Rate* | \$60 | \$31 | \$91 |

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

MISCELLANEOUS

HEALTH SAVINGS ACCOUNTS (HSAs)

ELIGIBILITY

An eligible individual is one, who for any month is:

- Covered under a high-deductible health plan (HDHP) on the first day of any month
- Not covered under any non-high-deductible health plan providing the same coverage
- Not a dependent of another taxpayer, and
- Not age 65 or older and enrolled for Medicare benefits.
- Note - no income limits for eligibility for an HSA.

HIGH DEDUCTIBLE HEALTH PLAN

For 2005:

- Annual deductible of at least \$1,000 (self-only coverage) or \$2,000 (family coverage), and
- Annual expenses limited to \$5,100 (self-only) or \$10,200 (family) - deductible plus out-of-pocket expenses not including premiums.

CONTRIBUTIONS

For 2005, monthly contributions are 1/12th of:

- Self-only coverage - lesser of the annual plan deductible or \$2,650
- Family coverage - lesser of the annual plan deductible or \$5,250
- Additional "catch-up" contribution for those aged 55 years and older -- \$500

DISTRIBUTIONS

- Excluded from gross income if used to pay qualified medical expenses. Medical expenses paid with HSA funds are not deductible as itemized medical expenses.
- Included in gross income if not used for qualified medical expenses. Plus subject to additional 10% tax. (Exception - if distribution is made after beneficiary's death, disability, or attaining age 65.)
- Generally, HSA funds may not be used to pay health insurance premiums.

CAUTIONS

- Participation in an FSA (flexible spending account) or an HRA (health reimbursement account) may make you ineligible for an HSA.
- Participation in any other type of health plan may make you ineligible for an HSA.
- HSAs may not be separately established for minor dependent children.

STATE TREATMENT OF HSAs

- Wisconsin does not follow the federal rules regarding HSAs. Therefore, for Wisconsin - no deduction for contributions to an HSA; earnings are taxable currently; and distributions are not taxable.
- Illinois follows the federal rules.



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