

Tax Advisors' 2011 Contribution Limits and Reference Guide



RETIREMENT

Tax-advantaged accounts: Retirement Plans (2011 tax year)

Traditional IRA contribution limits

Under age 50	\$5,000*
Age 50 and above	\$6,000**

Phase-out ranges for IRA contribution deductibility

Married, filing jointly	\$90,000 - \$110,000 MAGI***
Married, filing separately	\$0 - \$10,000 MAGI
Single and head of household	\$56,000 - \$66,000 MAGI
Spousal IRA filing jointly, IRA of nonparticipant	\$169,000 - \$179,000 MAGI

Full deduction is permitted below phaseout range. Scaled partial deduction is permitted within range. No deduction is permitted above range. An IRA owner under age 70½ with earned income can make a fully deductible contribution, regardless of his/her MAGI, if neither he/she nor his/her spouse (if married) is an active participant in an employer plan. If one or both are active plan participants, the above deductibility phase-out ranges apply. Qualified clients not eligible for deductible contributions may make nondeductible contributions up to the annual limit.

*Or 100% of taxable compensation, whichever is less

**Includes \$1,000 "catch-up" contribution

***Modified adjusted gross income

Roth IRA contribution limits

Under age 50	\$5,000*
Age 50 and above	\$6,000**

Phase-out ranges for Roth contribution eligibility

Married, filing jointly	\$169,000 - \$179,000 MAGI
Married, filing separately	\$0 - \$10,000 MAGI
Single and head of household	\$107,000 - \$122,000 MAGI

Roth conversion income is not included in MAGI. Full contribution is permitted below phase-out range. Scaled partial contribution is permitted within range. No contribution is permitted above range.

*Or 100% of taxable compensation, whichever is less

**Includes \$1,000 catch-up contribution

Roth IRA conversions

All filing statuses	No MAGI limit
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Income from 2010 conversions may be included 50% in 2011 and 50% in 2012. However, it may be beneficial to include 100% in 2010 income if you expect your tax rate to be lower compared to 2011 and 2012. Qualified Plan Conversions: Check with plan's administrator to determine eligibility on rollover distributions to a Roth IRA.

SEP IRA contribution limits

- Discretionary employer contributions of up to the lesser of \$49,000 or 25% of employee compensation or 20% of net earnings from self employment.*
 - A minimum of \$550 in compensation required to participate in SEP
- *A maximum compensation cap of \$245,000 per employee applies.

401(k), 403(b)*, 457**, SARSEP contribution limits

Salary deferral

Under age 50	\$16,500***
Age 50 and above	\$22,000****

Maximum contributions

- Maximum total contributions per employee are limited to \$49,000 or 100% of compensation with a \$245,000 compensation cap per employee.
- 401(k) and profit-sharing plans may be combined.

*Employees of certain organizations may be eligible to contribute greater amounts. Merrill Lynch is no longer allowing additional contributions to 403(b) plans.

**Contributions may be doubled in the last three years before retirement, but catch-up cannot be used. Merrill Lynch does not offer 457 plans.

***In Puerto Rico, the 401(k) maximum deferral is \$10,000.

****Includes \$5,500 catch-up contribution. (In Puerto Rico, the 401(k) catch-up contribution limit is \$1,000.)

Simple IRA salary deferral contributions

Under age 50	\$11,500
Age 50 and above	\$14,000*

*Includes \$2,500 catch-up contribution

Highly compensated employee

- A highly compensated employee is a person who was a 5% owner at any time during the determination year or the preceding year, or for the preceding year received more than \$110,000 in compensation from the employer and, if the employer elects, also was in the "top-paid group" (top 20%) of employees for that year.
- Key employee – officer: \$160,000

Defined benefit plan

- Lesser of \$195,000 or 100% of the participant's average compensation for his/her three high consecutive years of active plan participation.

Saver's tax credit

- Single taxpayers and married individuals filing separately with MAGI below \$28,250, heads of household with MAGI below \$42,375 and joint filers with MAGI below \$56,500 may be eligible for a tax credit for an IRA, 401(k), 403(b) or 457 employee plan contribution, in addition to any deduction or exclusion that would otherwise apply.



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Please see last page for important information

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Tax-advantaged accounts: Education Plans (2011 tax year)

Section 529 College Savings Account

No age or income restrictions for contributors or beneficiaries

	Annual Contribution*	Five-Year Contribution Made in a Single Year**
Single	\$13,000 per beneficiary	\$65,000 per beneficiary
Married couple filing jointly	\$26,000 per beneficiary	\$130,000 per beneficiary

*Contributions are completed gifts subject to the annual gift-tax exclusion and are removed from the contributor's federal estate.

**Under a special rule, contributions of \$65,000 (\$130,000 for married couples filing jointly) can be made in one year and prorated over a five-year period without incurring gift taxes or reducing your unified estate and gift tax credit as long as no additional contributions are made during that five-year period. There are no federal gift tax implications, provided the contributor does not make another gift to a particular beneficiary over that five-year period. For federal estate tax purposes, contributions are considered completed gifts to the beneficiary and are removed from the contributor's estate over the five-year period. If the contributor dies before the five-year prorating period has expired, the contributions allocated to the remaining years move back into the contributor's taxable estate. Also, any appreciation on the entire original gift is not considered part of the estate.

Section 529 plan tax treatment

- Section 529 plan earnings grow federal and, in most cases, state income-tax-free as long as the withdrawals are used for qualified higher-education expenses. The earnings portion of withdrawals for nonqualified expenses will be subject to federal income tax and a 10% additional federal tax, and may also be subject to state income or other taxes.

Section 529 plan disclosures

- Before you invest in any Section 529 college savings plan, request a program description and read it carefully. The program description includes more complete information, including investment objectives, charges, expenses and risks of investing in the plan, which you should consider carefully before investing. You should consider whether your home state or your designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's 529 plan.**

Coverdell Education Savings Account

Beneficiaries under age 18 and special needs beneficiaries of any age \$2,000

Phase-out ranges for Coverdell ESA contribution eligibility

Single	\$95,000 - \$110,000 MAGI
Married, filing jointly	\$190,000 - \$220,000 MAGI

Student loans

Student loan interest deduction limit \$2,500

Phase-out ranges for student loan interest deduction eligibility

Single and head of household	\$60,000 - \$75,000 MAGI
Married, filing jointly	\$120,000 - \$150,000 MAGI

Lifetime learning credits

20% of first \$10,000 of educational expenses (max \$2,000)

Phase-out amounts for eligibility

Single and head of household	\$51,000 - \$61,000 MAGI
Married, filing jointly	\$102,000 - \$122,000 MAGI

American Opportunity Tax Credit

100% of first \$2,000 of education expenses; 25% of expenses between \$2,000 and \$4,000 (maximum \$2,500)

Phase-out ranges for eligibility

Single and head of household	\$80,000 - \$90,000 MAGI
Married, filing jointly	\$160,000 - \$180,000 MAGI

Phase-out of exclusion of U.S. savings bond income

By payor of higher-education expenses

Married, filing jointly	\$106,650 - \$136,650 MAGI
All others	\$71,100 - \$86,100 MAGI

HSA Contribution and Plan Limits (2011 Tax Year)

HSA Limits

The following table shows the minimum annual deductible and maximum annual deductible and other out-of-pocket expenses for high deductible health plans (HDHPs) for 2011.

	Minimum Deductible	Maximum Out-of-Pocket*	Contribution Limit	55+ Contribution
Single	\$1,200	\$5,950	\$3,050	\$1,000
Family	\$2,400	\$11,900	\$6,150	\$1,000

*These limits do not apply to deductibles and expenses for out-of-network services if the plan uses a network of providers. Instead, only deductibles and out-of-pocket expenses for services within the network should be used to figure whether the limits apply.

To be an eligible individual and qualify for an HSA, you must:

- be covered under an HDHP on the first day of the month,
- have no other health coverage,
- not be entitled to (and enrolled in) Medicare benefits, and
- not be claimed as a dependent on someone else's tax return.

For more detailed information on HSAs and taxes, visit the U.S. Department of Treasury Web site at www.ustreas.gov or talk with your tax advisor.

Federal Tax Brackets (2011 tax year)

Single		
Taxable income over	But not over	Tax rate is
\$0	\$8,500	10%
\$8,500	\$34,500	\$850 plus 15%*
\$34,500	\$83,600	\$4,750 plus 25%*
\$83,600	\$174,400	\$17,025 plus 28%*
\$174,400	\$379,150	\$42,449 plus 33%*
\$379,150		\$110,016.50 plus 35%*

* of the excess over the taxable income in the far left-hand column.

Married, filing jointly/qualifying widow(er)		
Taxable income over	But not over	Tax rate is
\$0	\$17,000	10%
\$17,000	\$69,000	\$1,700 plus 15%*
\$69,000	\$139,350	\$9,500 plus 25%*
\$139,350	\$212,300	\$27,087.50 plus 28%*
\$212,300	\$379,150	\$47,513.50 plus 33%*
\$379,150		\$102,574 plus 35%*

* of the excess over the taxable income in the far left-hand column.

Head of household		
Taxable income over	But not over	Tax rate is
\$0	\$12,150	10%
\$12,150	\$46,250	\$1,215 plus 15%*
\$46,250	\$119,400	\$6,330 plus 25%*
\$119,400	\$193,350	\$24,617.50 plus 28%*
\$193,350	\$379,150	\$45,323.50 plus 33%*
\$379,150		\$106,637.50 plus 35%*

* of the excess over the taxable income in the far left-hand column.

Married, filing separately		
Taxable income over	But not over	Tax rate is
\$0	\$8,500	10%
\$8,500	\$34,500	\$850 plus 15%*
\$34,500	\$69,675	\$4,750 plus 25%*
\$69,675	\$106,150	\$13,543.75 plus 28%*
\$106,150	\$189,575	\$23,756.75 plus 33%*
\$189,575		\$51,287 plus 35%*

* of the excess over the taxable income in the far left-hand column.

Estate and trusts		
Taxable income over	But not over	Tax rate is
\$0	\$2,300	15%
\$2,300	\$5,450	\$345 plus 25%*
\$5,450	\$8,300	\$1,132.50 plus 28%*
\$8,300	\$11,350	\$1,930.50 plus 33%*
\$11,350		\$2,937 plus 35%*

* of the excess over the taxable income in the far left-hand column.

Long-term capital gains and qualified dividend rates	
The top federal tax rate for long-term capital gains or qualified dividend income is 15% (0% for individuals in the 10% or 15% tax brackets).	
Gains on collectibles	maximum 28%
Unrecaptured 1250 depreciation	maximum 25%

Gift and estate taxes	
Gift tax annual exclusion	\$13,000
Gift tax exemption	\$5 million
Annual exclusion for gifts to noncitizen spouse	\$136,000
Top gift-tax rate	35%
Estate tax	35%
Generation-skipping transfer tax	35%

Deductions (2011 tax year)

Standard deductions	
Married, filing jointly	\$11,600
Single	\$5,800
Married, filing separately (assuming spouse does not itemize, otherwise \$0)	\$5,800
Head of household	\$8,500

The additional standard deduction amount for the aged and blind is \$1,150 for each. These amounts are increased to \$1,450 if the individual also is unmarried and not a surviving spouse.

Exemptions	
Personal*	\$3,700
Kiddie tax	\$950

* No phase-out in 2011

Social Security (2011 tax year)

Maximum earnings subject to FICA

\$106,800

Post-retirement

The amount of Social Security benefit payments (if any) subject to tax depends on the amount of the taxpayer's provisional income (AGI plus one-half of the Social Security benefits plus tax-exempt bond interest plus certain other adjustments).

If provisional income exceeds \$32,000 (\$25,000 for single and head of household), then the amount of Social Security benefits included in gross income is the lesser of:

- 50% of the Social Security benefits received that year or
- 50% of the excess of provisional income over \$32,000 (or \$25,000).

However, if provisional income exceeds \$44,000 (\$34,000 for single and head of household), then the amount of Social Security benefits included in gross income is the lesser of:

- 85% of the Social Security benefits received that year, or the sum of:
 - The amount included under the above 50% rule or, if less, one-half of the difference between \$44,000 (or \$34,000) and \$32,000 (or \$25,000) and
 - 85% of the excess of provisional income over \$44,000 (\$34,000).

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