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Sunset of the 2001 & 2003 Tax Relief Acts: INDIVIDUALS

Individual, Estate and Trust Tax Rates. Temporary decreases in the marginal tax rates for noncorporate taxpayers are scheduled to expire for tax years beginning after 2010. Thus, the tax rates for individuals, estates and trusts will revert to 15, 18, 31, 36 and 39.6 percent, and the 10-percent rate for individuals will disappear (Code Sec. 1).

15-Percent Tax Rate Bracket for Joint Filers. Marriage penalty relief that increased size of the 15-percent tax bracket for joint filers to twice the size of the corresponding rate bracket for single filers is scheduled to expire for tax years beginning after 2010 (Code Sec. 1).

Standard Deduction for Married Taxpayers. The increased standard deduction amounts for married taxpayers based on the amount allowed for single taxpayers are scheduled to expire for tax years beginning after December 31, 2010. Thus, the basic standard deduction will be \$5,000 for joint filers, and \$2,500 for married taxpayers filing separately, both as adjusted annually for inflation (Code Sec. 63).

Limit on Itemized Deductions for Higher-Income Individuals. The limitation on the amount of allowable itemized deductions for higher-income individuals is scheduled to be reinstated for tax years beginning after 2010. Thus, taxpayers with AGI in excess of the applicable levels will have to reduce the amount of itemized deductions they actually deduct (Code Sec. 68).

Phaseout of Personal Exemptions. The elimination of the phaseout of personal exemptions for higher-income taxpayers is scheduled to expire for tax years beginning after 2010. Thus, higher income taxpayers will have to reduce the amount of their personal exemptions when their AGI exceeds certain thresholds (Code Sec. 151(d)(3)).



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Coverdell Education Savings Accounts. Several modifications of Coverdell education savings accounts are scheduled to expire for tax years beginning after 2010. The annual contribution limit will revert to \$500, the AGI ceilings for eligible contributors will reflect a marriage penalty, elementary and secondary school costs will not be qualified educational expenses, and several extended deadlines will no longer apply (Code Sec. 530).

Employer-Provided Educational Assistance. An employee's annual exclusion of up to \$5,250 in employer-provided educational assistance is scheduled to expire for tax years beginning after 2010 (Code Sec. 127).

Excludable Federal Health Scholarships. The exclusion from gross income for certain federal and military medical scholarships that include obligatory service requirements is scheduled to expire for tax years beginning after 2010 (Code Sec. 117).

Student Loan Interest Deduction. Expansions of the student loan interest deduction are scheduled to expire for tax years beginning after 2010, so that the deduction will not apply to voluntary interest payments or interest paid after the first 60 months of repayment, and the deduction will phase out at lower AGI levels (Code Sec. 221).

Tuition deduction. For tax years beginning after 2009, the above-the-line deduction for qualified tuition and related expenses expires (Code Sec. 222).

Earned Income Tax Credit. Several changes to the earned income credit are scheduled to expire for tax years beginning after 2010, so that the credit phase-outs will be based on modified AGI and will include a larger marriage penalty, earned income will no longer be limited to amounts included in gross income, the credit will be reduced by the taxpayer's AMT liability, and the IRS will no longer be authorized to deny the credit based on information from the federal child support database (Code Sec. 32).

Child Tax Credit. The child credit is scheduled to revert to \$500 for tax years beginning after 2010, and the refundable credit will be limited to taxpayers with at least three qualifying children (via the supplemental child credit component of the earned income credit) (Code Sec. 24).



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Child and Dependent Care Credit. The child and dependent care credit is scheduled to decrease for tax years beginning after 2010 because of reductions in the credit percentage, creditable expenses, and income phase-outs (Code Sec. 21).

Adoption Credit and Adoption Assistance Programs. For tax years beginning after 2011, the maximum adoption credit is scheduled to revert to \$5,000 (\$6,000 for a child with special needs) and the exclusion for employer-paid or employer-reimbursed adoption expenses is scheduled to expire (Code Secs. 36C and 137).

Alternative Minimum Tax Exemption. The AMT exemption amounts for tax years beginning after 2009 are \$45,000 for married individuals filing joint returns and surviving spouses, \$33,750 for unmarried individuals and \$22,500 for married individuals filing separate returns (Code Sec. 55).