

# PUBLICATION

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## Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010

December 22, 2010

On December 17, 2010, President Barack Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which has been designated P.L. 111-312 (Act). The Act includes a two-year extension of the Bush-era income, estate and generation skipping tax cuts, a two-year patch of the alternative minimum tax, a two percentage point cut in employee-paid payroll taxes and self-employment tax for 2011, and new incentives to invest in machinery and equipment, as well as retroactively enhanced and extended tax breaks for individuals and businesses.

The principal provisions of the bill, most of which are temporary, are summarized as follows:

### INDIVIDUAL TAX RATE REDUCTIONS

The Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (both such prior acts being collectively referred to hereinafter for simplification purposes as EGTRRA) reduced all regular income tax rates. EGTRRA provides that these rates cease to apply for taxable years beginning after December 31, 2010. The Act extends the present rates for two years, through 2012. Appendix A shows the rates which apply for 2010, the rates which would have applied for 2011 and the rates which will apply under the Act.

### LIMITATION OF ITEMIZED DEDUCTIONS AND PERSONAL EXEMPTION PHASE-OUT

Unless an individual elects to claim the standard deduction, a taxpayer is allowed to deduct itemized deductions. Itemized deductions for this purpose include, among other expenses, unreimbursed medical expenses, investment interest, casualty and theft losses, wagering losses, charitable contributions, qualified residence interest, state and local income and property taxes, unreimbursed employee business expenses and certain other miscellaneous expenses.

Prior to EGTRRA, the total amount of otherwise deductible itemized deductions (other than medical expenses, investment interest, and casualty, theft and wagering losses) were limited for some taxpayers. EGTRRA repealed the overall limitation on itemized deductions, with the repeal phased out over five years, there being

no limitation in 2010. Pursuant to EGTRRA, the limitation would have become effective again in 2011 with the limitation beginning with adjusted gross income of \$169,550 for 2011.

Personal exemptions are allowed for a taxpayer, the taxpayer's spouse and any dependents. For 2010, the exemption is \$3,650. Prior to EGTRRA, the deduction for personal exemptions was reduced or eliminated for taxpayers with incomes over certain thresholds. EGTRRA eliminated the limitation on the deduction for personal exemptions, phased out in a manner similar to the limitation for itemized deductions, with no reduction in 2010.

Without the Act, the thresholds for utilizing the personal exemption deduction in 2011 would have been (1) \$169,550 for unmarried individuals, (2) \$254,350 for married couples filing joint returns and (3) \$211,950 for heads of households.

The Act eliminates the limitation for personal exemptions and itemized deductions for 2011 and 2012.

#### CHILD CARE CREDIT

Under present law, subject to limitations, an individual may claim a tax credit for each child under the age of 17. The maximum tax credit is \$1,000 per child through 2010 and \$500 thereafter. The aggregate amount that may be claimed is phased out for individuals with income over certain limits. For married individuals filing joint returns, the maximum credit is reduced by \$50 for each \$1,000 of adjusted gross income over \$110,000. The credit is allowable against the regular tax and, for taxable years before 2011, is allowable against the alternative minimum tax (AMT). To the extent the credit exceeds the taxpayer's regular tax liability, the taxpayer is eligible for a refundable credit in the amount of 15 percent of the amount of earned income over \$3,000 for 2009 and 2010.

The Act extends the \$1,000 credit and allows the credit against both regular tax and AMT for two years, through 2012. In addition, the Act extends the earned income formula for determining the refundable child care credit, with a threshold of \$3,000 through 2012.

#### MARRIAGE PENALTY RELIEF AND EARNED INCOME TAX CREDIT SIMPLIFICATION

Generally, a marriage penalty exists when the combined tax liability of a married couple filing a joint return is greater than the sum of tax liabilities of each individual computed as if they were not married. The marriage

penalty generally occurs when the couple uses the standard deduction. By reason of the applicable rate structures, lower income married couples were similarly penalized as compared to individuals filing separate returns.

EGTRRA increased the standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual and expanded the 15 percent bracket for a married couple filing a joint return to twice the size of the corresponding rate bracket for an unmarried individual filing a single return.

EGTRRA also simplified the computation of the earned income tax credit, resulting in more taxpayers being entitled to tax credits.

The Act extends the EGTRRA marriage penalty relief provisions for two years, through 2012.

## EDUCATIONAL INCENTIVES

Under the Act, each of the following educational benefits is extended through 2012.

1. Employer Provided Educational Assistance. If certain requirements are met, up to \$5,250 annually of educational assistance provided by an employer to an employee is excludable for both income and employment tax purposes. Among other requirements, the employer's written plan for educational assistance cannot discriminate in favor of highly compensated employees. EGTRRA extended the exclusion to certain graduate courses, subject to EGTRRA's general sunset at the end of 2010.
2. Student Loan Interest. Individuals with income below certain levels (for 2010, \$75,000 for single taxpayers and \$150,000 for married taxpayers filing a joint return) who have paid interest on educational loans may claim an above-the-line (i.e., without itemizing) deduction. After 2010, the phase-out limits on income are reduced to \$40,000 for single taxpayers and \$75,000 for married taxpayers.
3. Coverdell Education Savings Accounts. A Coverdell education savings account is a trust or custodial account, similar to an IRA, created exclusively for the purpose of paying educational expenses of a named beneficiary. In general, earnings withdrawn are taxable but contributions are not taxable if used for qualifying expenses. After 2010, Coverdell savings accounts are less attractive. Among other changes, the contribution limit decreases to \$500 from \$2,000 and the income phase-out limit decreases.

4. Tax Exempt Bonds for Educational Facilities. EGTRRA increased the limit on the amount of tax exempt bonds which may be outstanding and not subject to the arbitrage rules (limitation on the yield of unspent proceeds) from \$5,000,000 to \$10,000,000 permitted under certain circumstances for the issuance of tax exempt bonds to finance elementary and secondary schools owned by for-profit entities, in both cases subject to the EGTRRA sunset of the end of 2010.

#### OTHER INCENTIVES FOR FAMILIES AND CHILDREN

1. Adoption Credit and Exclusion from Income for Employer Provided Assistance. The present law for 2010 provides: (1) a maximum adoption credit of \$13,170 per eligible child and (2) a maximum exclusion of \$13,170 from income for employer provided adoption assistance per eligible child, subject to phase-out in 2010 for adjusted gross income starting at \$182,500. For taxable years beginning after December 31, 2011, these benefits are available only to special needs adoptions and the per-child exclusion is reduced to \$6,000 and the phase-out limit is reduced to \$75,000.

The Act extends the pre-2012 benefits for one year, through the end of 2012.

2. Employer-Provided Child Care Credit. Employers receive a tax credit of up to 25 percent of qualified expenses for employee child care, up to \$150,000 per taxable year. This credit expires for taxable years beginning after December 31, 2010. The Act extends the pre-2012 benefits for one year, through the end of 2012.

3. Dependent Care Tax Credit. The maximum dependent care tax credit is \$1,050 for one qualifying individual and \$2,100 for two or more qualifying individuals, reduced (but not below 20 percent) by one percentage point for each \$2,000 of adjusted gross income above \$15,000. The level of credit is reduced for taxable years beginning after 2010.

The Act extends the present level of these benefits for two years, beginning after December 31, 2010.

#### REDUCED RATE FOR DIVIDENDS AND CAPITAL GAINS

In 2010, most dividends are taxed at either zero or 15 percent. The zero-percent rate applies to dividend income which would otherwise be taxed at a 10 or 15 percent rate if the special rates did not apply. Similar rates apply for adjusted capital gains.

The Act extends the rates for qualified dividend income and capital gain for two additional years, through 2012.

## AMERICAN OPPORTUNITY TAX CREDIT

1. Hope Credit. For taxable years beginning after 2010, taxpayers may claim a nonrefundable credit (the Hope Credit) subject to various limitations. For 2011 and later years, a taxpayer cannot claim a Hope Credit in the same year a taxpayer claims an exclusion from a Coverdell education savings account.

2. American Opportunity Tax Credit. This temporary modification applies to 2009 and 2010. The maximum allowable credit is \$2,500 per eligible student per year for tuition and related expenses for the first four years of post secondary education. The credit is phased out beginning with gross income between \$80,000 and \$90,000 (\$160,000 and \$180,000 for married taxpayers).

The Act extends the temporary modification through 2012.

## INCREASE IN EARNED INCOME TAX CREDIT

Low and moderate income workers may be eligible for the refundable earned income tax credit (EITC), depending on earned income, adjusted gross income, investment income, filing status, number of children and immigration and work status in the United States, with the amount being based on the presence and number of qualifying children in the worker's family as well as adjusted gross income and earned income.

The EITC generally equals a specified percentage of earned income up to a maximum dollar amount.

An individual is not eligible for the EITC if the aggregate amount of disqualified income for the taxable year exceeds a specified amount (\$3,100 for 2010). Disqualified income is the sum of: (1) interest, (2) dividends, (3) net rent and royalty income, (4) net capital gains and (5) net passive income that is not self-employment income.

In general, the credit is determined with reference to earned income, subject to a phase-out at the rate of 21.06 percent on earnings above \$21,460 in the case of a married couple, with no credit for earnings in excess of \$48,362.

A temporary provision enacted in 2009 allows taxpayers with three or more qualifying children to claim a credit of 45 percent for 2009 and 2010. Another temporary provision increased the phase-out for married couples for 2009 and 2010.

The Act extends the EITC at the rate of 45 percent for three or more qualifying children and the higher phase-out for married couples for two years, through 2012.

#### TEMPORARY EXTENSION OF INDIVIDUAL ALTERNATIVE MINIMUM TAX RELIEF

Present law imposes the AMT on individuals. The AMT is the amount by which the tentative minimum tax exceeds the regular income tax. An individual's tentative minimum tax is the sum of (1) 26 percent of the excess as does not exceed \$175,000, and (2) 28 percent of the remaining excess. The taxable excess is so much of alternative minimum taxable income (AMTI) as exceeds the exemption amount. AMTI is the individual's taxable income adjusted to take account of specified preferences and adjustments.

Under current law, the exemption amount is \$70,950 for 2009 and \$45,000 for 2010.

For years before 2010, certain nonrefundable tax credits are allowed to the extent of the full amount of the individual's regular tax and AMT.

The Act allows individuals to offset their entire regular tax liability and AMT liability by the nonrefundable personal credits for 2010 and 2011. The individual AMT exemption amount for 2010 and 2011 are as follows:

	<u>2010</u>	<u>2011</u>
Married filing joint	\$72,450	\$74,450
Single	\$47,450	\$48,450
Married filing separately	\$36,225	\$37,225

#### TEMPORARY EXTENSION OF INVESTMENT INCENTIVES

1. Bonus Depreciation and 100 Percent Expensing of Certain Business Assets. Under present law, an additional first year depreciation deduction is allowed equal to 50 percent of the adjusted basis of qualified property placed in service during 2008, 2009 and 2010 (2009, 2010 and 2011 for certain longer-lived and transportation property), for both regular tax and AMT purposes.

Qualified property is property that meets all of the following requirements: (1)(a) property to which Modified Accelerated Cost Recovery System (MACRS) applies with an applicable recovery of 20 years or less, (b) water utility property, (c) most computer software, or (d) non-residential leasehold property; (2) the original use must commence with the taxpayer after December 31, 2007; (3) the property must generally have been purchased after 2007 and before 2011.

The Act extends and expands the additional first-year depreciation deduction to equal 100 percent of the cost of qualified property placed in service before 2012 (2013 for certain longer lived property) effective for property placed in service after 2010, in taxable years ending after that date. The provision expanding the additional first-year depreciation deduction to 100 percent of its basis applies to property placed in service after September 8, 2010 in taxable years ending after that date.

2. Increase for Qualified New Energy Small Business Expensing. For taxable years beginning in 2010 and 2011, a taxpayer may, subject to limitations, expense \$500,000 of the cost of qualifying property placed in service during the year. The amount which may be expensed is reduced by the amount by which the cost of qualifying property placed in service during the year exceeds \$2,000,000. Off-the-shelf computer software placed in service before 2012 is treated as qualifying property.

Under the Act, in 2012, a taxpayer may expense up to \$125,000 of qualifying property placed in service in that year. For taxable years beginning in 2013 and thereafter, the maximum amount of property which may be expensed is limited to \$25,000.

#### TEMPORARY EMPLOYEE PAYROLL TAX CUT

Under present law, the FICA tax consists of two parts: (1) the old age, survivors and disability insurance (OASDI) of 6.2 percent of covered wages up to the wage base \$106,800 in 2010, and (2) the Medicare Hospital Insurance (HI) tax equal to 1.45 percent of all wages. Employers and employees are subject to FICA on the same amount, which is 7.65 percent in 2010. Likewise, self-employed individuals pay a self-employment tax of 12.4 percent for OASDI and 2.9 percent for HI, for a total of 15.3 percent in 2010.

The Act temporarily reduces the OASDI tax component to 4.2 percent for wage earners and to 10.4 percent for self-employed individuals in 2011.

## TEMPORARY EXTENSION OF CERTAIN EXPIRING PROVISIONS

The following provisions are generally extended for two years:

### 1. Provisions Relating to Energy.

- a. Biodiesel and renewable diesel. Present law has several credits.
- b. Credit for Refined Coal Facilities. Present law has a credit for refined coal.
- c. New energy efficient home credit. Present law has a credit to eligible contractors for new energy efficient homes.
- d. Alternative fuel and alternative fuel mixtures. Present law has various credits for alternative fuels.
- e. Sales or dispositions to implement FERC and state electrical restructuring policy. Under certain requirements, gains on such sales may be deferred.
- f. Suspension of limitation on percentage depletion for oil and gas from marginal wells.
- g. Extension of grants for specified energy property in lieu of tax credits.
- h. Extension of provisions related to alcohol used as fuel.
- i. Energy efficient home appliance credit.
- j. Credit for non-business energy property.
- k. Alternative fuel vehicle refueling property.

### 2. Individual Tax Relief.

- a. Above the line deduction for certain expenses of elementary and secondary school teachers.
- b. Itemized deduction of state and local sales taxes (in lieu of state and local income taxes).
- c. Contribution of capital gain real property for conservation purposes (exemption from partial interest restriction).
- d. Above-the-line deduction for qualified tuition and related expenses (limited to \$4,000 and subject to phase-out depending on gross income).
- e. Tax free distributions from IRAs for charitable purposes for individuals age 70½ or older.
- f. Look-through regulated investment company stock in determining gross estate of nonresidents.
- g. Parity for exclusion from income for employer-provided mass transit and parking benefits (mass transit benefits excluded up to \$230 through end of 2011).
- h. Refunds disregarded in the administration of federal programs.

### 3. Business Tax Relief.

- a. Research credit.
- b. Indian employment tax credit.
- c. New markets tax credit.
- d. Railroad track maintenance credit.
- e. Mine rescue training credit.



- f. Employer wage credit for employees who are active duty members of uniformed services.
- g. 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements and qualified retail improvements (effective for property placed in service after December 31, 2009 and before January 1, 2012).
- h. Seven-year recovery period for motorsports entertainment complexes (effective for property placed in service after December 31, 2009 and before January 1, 2012).
- i. Accelerated depreciation for business property on an Indian reservation.
- j. Enhanced charitable deduction for contribution of food inventory.
- k. Enhanced charitable contribution deduction for contributions of book inventory to public schools.
- l. Enhanced charitable contribution for corporate contributions of computer inventory for educational purposes.
- m. Election to expense mine safety equipment.
- n. Special expensing rules for certain film and television productions.
- o. Expensing of environmental remediation costs.
- p. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- q. Modification of tax treatment of certain payments to controlling exempt organizations.
- r. Tax treatment of certain dividends of regulated investment companies.
- s. Regulated Investment Company qualified investment entity treatment under FIRPTA.
- t. Exceptions for active financing income.
- u. Look-through treatment of payments between related controlled foreign corporations.
- v. Basis adjustment to stock of S corporations making charitable contributions of property.
- w. Empowerment zone tax incentives.
- x. Tax incentives for investment in the District of Columbia.
- y. Temporary increase in limit on coverage of rum excise taxes to Puerto Rico and the Virgin Islands.
- z. American Samoa economic development credit.
- aa. Work opportunity credit.
- bb. Qualified zone academy bonds.
- cc. Mortgage insurance premiums (applies only to 2011).
- dd. Temporary exclusion of 100 percent of gain on certain small business stock.

#### 4. Temporary Disaster Relieve Provisions.

- a. New York Liberty Zone tax-exempt bond financing.
- b. Increase in rehabilitation credit in Gulf Opportunity Zone.
- c. Low-income housing credit for buildings in Gulf Opportunity Zone.
- d. Tax-exempt bond financing for the Gulf Opportunity Zone.
- e. Bonus depreciation deduction applicable to specified Gulf Opportunity Zone extension property.

### CHANGES TO ESTATE, GIFT AND GENERATION-SKIPPING TRANSFER TAXES

Under law prior to the effectiveness of the Act, the estate and generation-skipping taxes were repealed for decedents dying, and generation-skipping transfers made, in 2010. The Act retroactively reinstates the estate

and generation-skipping taxes to January 1, 2010 with significant modifications. However, estates of decedents dying in 2010 can elect out of the Act's estate tax, and the rate of tax for generation-skipping transfers made in 2010 is zero. This provides a very limited opportunity in 2010 only to make unlimited gifts to grandchildren free of generation-skipping tax, though gift tax would generally apply beyond the gift tax exemption. The gift tax is modified beginning with transfers made on or after January 1, 2011.

1. Estate Tax. Without the Act, there would have been no estate tax for decedents dying in 2010, but the estate tax would have stormed back on January 1, 2011 with a top rate of 55 percent and an estate tax exemption of only \$1,000,000. The Act imposes an estate tax in 2010 but provides a top tax rate of 35 percent and an estate tax exemption of \$5,000,000 (indexed for inflation beginning in 2012 in multiples of \$10,000). With the estate tax reinstated, the carryover income tax basis rule is repealed. Therefore, estates may step up, or increase, the income tax basis of the decedents' assets to the fair market value of the assets on the decedent's date of death.

An election is available only for decedents dying in 2010 that allows 2010 estates to elect out of the Act's estate tax. The trade-off for such election is that assets of 2010 estates will be subject to the carryover income tax basis rule. Thus, a 2010 estate electing out of the estate tax will avoid imposition of the estate tax altogether, but will not receive a step-up in the estate's assets (with the EGTRRA 2001 exceptions of the \$1,300,000 basis increase for all assets and additional \$3,000,000 for assets passing to a surviving spouse in a qualifying manner).

The Act introduces a new concept of portability of the estate tax exemption. In addition to a decedent's own \$5,000,000 estate tax exemption, the estate of a decedent dying on or after January 1, 2011 may also use any unused estate tax exemption of the decedent's most recent spouse – who must have predeceased the spouse who proposes to utilize the unused exemption - provided such predeceased spouse also died after 2010. The predeceased spouse's unutilized exemption may also be used by the surviving spouse for gift tax purposes. There are special reporting rules applicable to the estate of the predeceased spouse to allow the surviving spouse to use any of the decedent's unutilized estate tax exemption, including an election filed by the deceased spouse's executor. This portability feature will allow married persons to shelter \$10,000,000 from the estate tax without the necessity of creating a by-pass trust in the estate of the first spouse to die.

2. Gift Tax. No change is made by the Act to the gift tax for 2010. For 2010 gifts, the exemption remains at \$1,000,000 with a tax rate of 35 percent for taxable gifts. Beginning in 2011, the gift tax rate will be 35 percent with an exemption of \$5,000,000. Thus, the gift and estate tax rates and exemption will be unified beginning in 2011.

3. Generation-Skipping Tax. The generation-skipping tax is retroactively reinstated to January 1, 2010 with a \$5,000,000 exemption, but the tax rate applied to generation-skipping transfers made in 2010 is zero. The rate beginning on January 1, 2011 is 35 percent and the exemption is \$5,000,000. The generation-skipping tax will not have the portability feature allowed for the estate tax exemption.

4. Sunset, again. The Act applies through 2012. At the end of 2012, the new provisions are set to expire resulting in a return of the estate, gift, and generation-skipping transfer tax regimes that existed prior to EGTRRA. The Act has provided us with certainty of these taxes, but only temporarily. Congress will need to address these taxes prior to December 31, 2012 to avoid a return to the law as it existed prior to the passage of EGTRRA in 2001.

As referenced earlier, the Act is certainly controversial and has been debated strenuously among representatives from the political parties. However, regardless of your political persuasion, the Act provides significant

tax planning opportunities -- and in many cases those planning opportunities are only temporarily available. Should you have any questions regarding the Act and how its provisions may be of assistance to your particular tax planning, please any attorney in the Firm's Tax Department.

## APPENDIX A

Table 1.-Federal Individual Income Tax Rates for 2010

If taxable income is:	Then income tax equals:
Single Individuals	
Not over \$8,375	10% of the taxable income
Over \$8,375 but not over \$34,000	\$837.50 plus 15% of excess over \$8,375
Over \$34,000 but not over \$82,400	\$4,681.25 plus 25% of excess over \$34,000
Over \$82,400 but not over \$171,850	\$16,781.25 plus 28% of excess over \$82,400
Over \$171,850 but not over \$373,650	\$41,827.25 plus 33% of the excess over \$171,850
Over \$373,650	\$108,421.25 plus 35% of the excess over \$373,650
Heads of Households	
Not over \$11,950	10% of the taxable income
Over \$11,950 but not over \$45,550	\$1,195 plus 15% of the excess over \$11,950
Over \$45,550 but not over \$117,650	\$6,235 plus 25% of the excess over \$45,550

Over \$117,650 but not over \$190,550	\$24,260 plus 28% of the excess over \$117,650
Over \$190,550 but not over \$373,650	\$44,672 plus 33% of the excess over \$190,550
Over \$373,650	\$105,095 plus 35% of the excess over \$373,650
Married Individuals Filing Joint Returns and Surviving Spouses	
Not over \$16,750	10% of the taxable income
Over \$16,750 but not over \$68,000	\$1,675 plus 15% of the excess over \$16,750
Over \$68,000 but not over \$137,300	\$9,362.50 plus 25% of the excess over \$68,000
Over \$137,300 but not over \$209,250	\$26,687.50 plus 28% of the excess over \$137,300
Over \$209,250 but not over \$373,650	\$46,833.50 plus 33% of the excess over \$209,250
Over \$373,650	\$101,085.50 plus 35% of the excess over \$373,650
Married Individuals Filing Separate Returns	
Not over \$8,375	10% of the taxable income
Over \$8,375 but not over \$34,000	\$837.50 plus 15% of the excess over \$8,375
Over \$34,000 but not over \$68,650	\$4,681.25 plus 25% of the excess over \$34,000
Over \$68,650 but not over \$104,625	\$13,343.75 plus 28% of the excess over \$68,650
Over \$104,625 but not over \$186,825	\$23,416.75 plus 33% of the excess over \$104,625
Over \$186,825	\$50,542.75 plus 35% of the excess over \$186,825

Table 2. Federal Individual Income Tax Rates for 2011 under Act

<b>If taxable income is:</b>	<b>Then income tax equals:</b>
Single Individuals	
Not over \$8,500	10% of the taxable income
Over \$8,500 but not over \$34,500	\$850 plus 15% of the excess over \$8,500
Over \$34,500 but not over \$83,600	\$4,750 plus 25% of the excess over \$34,500

Over \$83,600 but not over \$174,400	\$17,025 plus 28% over the excess of \$83,600
Over \$174,400 but not over \$379,150	\$42,449 plus 3% over the excess of \$174,400
Over \$379,150	\$110,016.50 plus 35% of the excess over \$379,150
Heads of Households	
Not over \$12,150	10% of the taxable income
Over \$12,150 but not over \$46,250	\$1,215 plus 15% of the excess over \$12,150
Over \$46,250 but not over \$119,400	\$6,330 plus 25% of the excess over \$46,250
Over \$119,400 but not over \$193,350	\$24,617.50 plus 28% of the excess over \$119,350
Over \$193,350 but not over \$379,150	\$45,323.50 plus 33% of the excess over \$193,350
Over \$379,150	\$106,637.50 plus 35% of the excess over \$379,150
Married Individuals Filing Joint Returns and Surviving Spouses	
Not over \$17,000	10% of the taxable income
Over \$17,000 but not over \$69,000	\$1,700 plus 15% of the excess over \$17,000
Over \$69,000 but not over \$139,350	\$9,500 plus 25% of the excess over \$69,000
Over \$139,350 but not over \$212,300	\$27,087.50 plus 28% of the excess over \$139,350
Over \$212,300 but not over \$379,150	\$47,513.50 plus 33% of the excess over \$379,150
Over \$379,150	\$102,574 plus 35% of the excess over \$379,150
Married Individuals Filing Separate Returns	
Not over \$8,500	10% of the taxable income
Over \$8,500 but not over \$34,500	\$850 plus 15% of the excess over \$8,500
Over \$34,500 but not over \$69,675	\$4,750 plus 25% of the excess over \$34,500
Over \$69,675 but not over \$106,150	\$13,543.75 plus 28% of the excess over \$69,675
Over \$106,150 but not over \$189,575	\$23,756.75 plus 33% of the excess over \$106,150

Over \$189,575	\$51,287 plus 35% of the excess over \$189,575
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Table 3. Estimated Federal Individual Income Tax Rates for 2011 before Act

<b>If taxable income is:</b>	<b>Then income tax equals:</b>
<b>Single Individuals</b>	
Not over \$34,500	15% of the taxable income
Over \$34,500 but not over \$83,600	\$5,175 plus 28% of the excess over \$34,500
Over \$83,600 but not over \$174,400	\$18,923 plus 31% over the excess of \$83,600
Over \$174,400 but not over \$379,150	\$47,071 plus 36% over the excess of \$174,400
Over \$379,150	\$120,781 plus 39.6% of the excess over \$379,150
<b>Heads of Households</b>	
Not over \$46,250	15% of the taxable income
Over \$46,250 but not over \$119,400	\$6,937.50 plus 28% of the excess over \$46,250
Over \$119,400 but not over \$193,350	\$27,419.50 plus 31% of the excess over \$119,400
Over \$193,350 but not over \$379,150	\$50,344 plus 36% of the excess over \$193,350
Over \$379,150	\$117,232 plus 39.6% of the excess over \$379,150
<b>Married Individuals Filing Joint Returns and Surviving Spouses</b>	
Not over \$57,650	15% of the taxable income
Over \$57,650 but not over \$139,350	\$8,647.50 plus 28% of the excess over \$57,650
Over \$139,350 but not over \$212,300	\$31,523.50 plus 31% of the excess over \$139,350
Over \$212,300 but not over \$379,150	\$54,138.50 plus 36% of the excess over \$212,300
Over \$379,150	\$114,204 plus 39.6% of the excess over \$379,150
<b>Married Individuals Filing Separate Returns</b>	
Not over \$28,825	15% of the taxable income

Over \$28,825 but not over \$69,675	\$4,323.75 plus 28% of the excess over \$28,825
Over \$69,675 but not over \$106,150	\$15,761.75 plus 31% of the excess over \$69,675
Over \$106,150 but not over \$189,575	\$27,069 plus 36% of the excess over \$106,150
Over \$189,575	\$57,102 plus 39.6% of the excess over \$189,575