

Federal Tax and Retirement Plan Inflation Adjustments for 2001

The IRS recently announced the 2001 cost-of-living adjustments to key federal tax thresholds, the standard mileage rates, and some retirement plan limits. Note that the changes in the tax rate schedules shown below reflect adjustments mandated by the Community Renewal Tax Relief Act of 2000, which President Clinton signed on December 21.

2001 Standard Deduction

Married Filing Jointly or Surviving Spouse	Single	Head of Household	Married Filing Separately
\$7,600 (\$250 increase)	\$4,550 (\$150 increase)	\$6,650 (\$200 increase)	\$3,800 (\$125 increase)

2001 Personal Exemption

\$2,900
(\$100 increase)

2001 Phaseout of Personal Exemption

Phaseout begins with Adjusted Gross Income over

Married Filing Jointly or Surviving Spouse	\$199,450	(\$6,050 increase)
Single	\$132,950	(\$4,000 increase)
Head of Household	\$166,200	(\$5,050 increase)
Married Filing Separately	\$99,725	(\$3,025 increase)

2001 Tax Rate Schedules

Married Filing Jointly or Surviving Spouse

Taxable Income Not over \$45,200	Tax 15% of taxable income
Over \$45,200, but not over \$109,250	\$6,780 plus 28% of excess over \$45,200
Over \$109,250, but not over \$166,500	\$24,714 plus 31% of excess over \$109,250
Over \$166,500, but not over \$297,350	\$42,461.50 plus 36% of excess over \$166,500
Over \$297,350	\$89,567.50 plus 39.6% of excess over \$297,350

Single

<u>Taxable Income</u> Not over \$27,050	<u>Tax</u> 15% of taxable income
Over \$27,050, but not over \$65,550	\$4,057.50 plus 28% of excess over \$27,050
Over \$65,550, but not over \$136,750	\$14,837.50 plus 31% of excess over \$65,550
Over \$136,750, but not over \$297,350	\$36,909.50 plus 36% of excess over \$136,750
Over \$297,350	\$94,725.50 plus 39.6% of excess over \$297,350

Head of Household

<u>Taxable Income</u> Not over \$36,250	<u>Tax</u> 15% of taxable income
Over \$36,250, but not over \$93,650	\$5,437.50 plus 28% of excess over \$36,250
Over \$93,650, but not over \$151,650	\$21,509.50 plus 31% of excess over \$93,650
Over \$151,650, but not over \$297,350	\$39,489.50 plus 36% of excess over \$151,650
Over \$297,350	\$91,941.50 plus 39.6% of excess over \$297,350

Married Filing Separately

<u>Taxable Income</u> Not over \$22,600	<u>Tax</u> 15% of taxable income
Over \$22,600, but not over \$54,625	\$3,390 plus 28% of excess over \$22,600
Over \$54,625, but not over \$83,250	\$12,357 plus 31% of excess over \$54,625
Over \$83,250, but not over \$148,675	\$21,230.75 plus 36% of excess over \$83,250
Over \$148,675	\$44,783.75 plus 39.6% of excess over \$148,675

Standard Mileage Rates

<u>Travel by Automobile</u>	<u>Rate per Mile</u>	<u>Change</u>
Business	34.5 cents	2 cent increase
Charitable	14 cents	none
Medical	12 cents	2 cent increase
Moving	12 cents	2 cent increase

If you elect to use the standard mileage rate in computing your deductions for business driving, you may claim separate deductions for parking fees and tolls.

Retirement Plan Limit Changes

Defined Benefit Plan Annual Benefit	\$140,000	\$5,000 increase
Defined Contribution Plan Annual Addition	Lesser of 25% of compensation or \$35,000	\$5,000 increase
Maximum SIMPLE Plan Salary Deferral	\$6,500	\$500 increase

The following key numbers remain unchanged: the maximum annual compensation for determining contributions/benefits at \$170,000, the limit on 401(k) elective deferrals at \$10,500, and the dollar limit used in the definition of a highly compensated employee at \$85,000.

The Next Step

These inflation adjustments could affect your 2001 tax planning, including the calculation of your personal estimated tax payments and/or the income tax withheld from your pay. If we can provide planning assistance or information, please contact us.

Web Watch . . .

Questions about filing deadlines? Tax forms? Visit the "e-search" section of our website for a **calendar of important dates relating to taxes**.

<http://www.barrcpa.com/eseach.html>

Now is the time to **refinance your home!** Mortgage rates have gone as low as 6.37%. Visit the internet address above for more information, or just give us a call.

Records retention schedule

Just in time for Spring cleaning...

Income Tax Returns and Supporting Documents.

Keep at least four years and preferable six if space is not critical. Once this period has elapsed, the documents can be discarded, but the returns themselves, which do not take much space, should be retained indefinitely.

Residential Property Records.

All e s c r o w s t a t e m e n t s (purchase and sale) plus receipts for improvements should be kept for at least four years after property is sold. R e f i n a n c e papers should also be retained.



Purchase Receipts for Stocks, Bonds, Mutual Funds.

These should also be kept for at least four years after the asset is sold. This would include record of stock dividends, splits, and reinvested dividends.

Depreciation Records.

For any rental real estate of depreciable business property you own, keep records of the property's cost, date acquired, and the schedule of depreciation claimed in previous years. This record should be kept until four years after the disposition of the property.

Retirement Plan Contributions.

Records of non deductible IRA deposits, employer-plan stock purchases, rollovers, conversion to Roth IRAs and Keogh plan deposits should be kept until four years after the plan assets have been withdrawn.

Personal Records.

Important papers such as estate and gift tax returns, divorce and property settlement agreements, deeds, title insurance policies, and all trust documents should be kept in a permanent file, or perhaps a safe deposit box.

Miscellaneous Papers.

All other documents to include bank statements, canceled checks, credit card statements, deposit slips, charitable contribution receipts, and medical bills can be discarded after four years.

If you are not sure, please give us a call before you throw your records out.