

## What to look forward to in taxes for 2011

Published in the Beacon News – February 27, 2011

By Denice A. Gierach

It is said that the only things that are certain are death and taxes. That is a true statement, although today it is not always so certain what the taxes will be for more than a year at a time. There have been so many changes to the tax law that it does boggle the mind. With a new Congress in place, more changes may be downstream that may affect 2011 that we have no information on at the present time.

Here are some items of taxes for 2011 that may affect you (as the law stands today):

**Income Tax Rates:** The rates of taxes for 2011 are the same as last year's tax rates, but the brackets are higher than last year's as a result of inflation adjustments. If your income is between \$69,001 and \$139,350, like many Aurora households, and you are married filing jointly, your tax bracket will be 25 percent.



Denice A. Gierach  
Gierach Law Firm

**So-called Stealth Income Taxes:** For 2011, taxpayers will not have their deductions limited by 3 percent of itemized deductions or eroding or eliminating the personal exemption. This provision will expire the end of 2012.

**Taxes on Investments:** There are still favorable taxes on investments. If your overall bracket is 15 percent or lower, the rate on taxes on dividends and capital gains is 0 percent. If the marginal rate is 25 percent or more, the rate is 15 percent. This provision expires the end of 2012.

**Estate and Gift Taxes:** For 2011 and 2012, the system has been changed. There is an exemption of \$5.0 million before tax would be owed and a maximum rate of 35 percent. The exemption applies to estate, gift and generation-skipping taxes. This will create opportunities for shifting large amounts of wealth for those willing to part with the assets. Many of Aurora's residents may find this year is a good time to gift some of their assets to the next generation.

**Payroll Taxes:** There was a 2 percent reduction in the employee side of Social Security taxes, which means that the net payroll checks to an employee will be increased, saving a maximum of \$2,136 per person. This rebate expires the end of 2011.

Alternative Minimum Tax: There is a patch set by Congress at \$47,450 for single filers and \$74,450 for married couples, which is slightly higher than 2010 levels. This expires in 2011.

Medical expenses from Flexible Spending Plans: Taxpayers can use their FSA funds to pay for other items than just prescription drugs, such as crutches and contact lens solutions. Taxpayers cannot pay for many over-the-counter medicines without a prescription.

Energy Tax Credits: The energy tax credit still exists for energy-efficient improvements, but has shrunk to a maximum of \$500 per taxpayer per lifetime. If you took the credit in 2010, you will not qualify for this credit in 2011. If you own one of Aurora's older homes and have not made changes to make your home more energy-efficient, you may want to do so this year.

Brokers to track cost basis: Brokers are now required to track clients' purchases of stock and report the cost to the IRS when the stock is sold.

As you can see, many of these items expire in 2011 or 2012. As a result, it is unclear what will be kept in the tax code and what will be voted out when Congress takes a better look at the tax laws this year. Brace yourself for another round of changes.

Denice Gierach is a resident of Aurora and the owner of The Gierach Law Firm in Naperville. She is a lawyer, certified public accountant and has a master's degree in management. Contact her at 630-756-1160 or visit [www.GierachLawFirm.com](http://www.GierachLawFirm.com).