

2009 vs. 2010 Key Facts and Figures - March 2010 Exam

Keir Educational Resources compiled the following key facts and figures for the CFP® Certification Examination to assist you with your preparation for this comprehensive exam.

Please note the following items:

1. This list is not intended to be an all-inclusive listing of facts and figures tested on the CFP® Certification Examination.
2. Very few of the figures included in this list will be provided in your actual CFP® Certification Examination booklet. **Only the items underlined will be provided.** For example, all of the underlined Personal Exemption, Standard Deductions and Itemized Deductions information listed on the next page are provided. However, the exam booklet does not include information about the self employment taxes or kiddie taxes. As a result, you will need to know how to calculate both taxes. Likewise, you will need to memorize all the other items that are not underlined.

3. **We highlighted the information that changed between 2009 and 2010 with a box.** This includes the items listed below about the changes to the estate, generation skipping transfer (GST) tax and gift taxes, Roth IRA and expired tax provisions.

4. Under the 2001 Tax Act, both the estate tax and GST tax are repealed for 2010. As a result, taxpayers who die during 2010 will not owe an estate tax or GST tax. However, their heirs will only receive a step up in basis on \$1.3 million of assets plus an additional \$3 million of assets passing directly to the surviving spouse (assets not placed in a marital deduction trust). If a taxpayer dies with more than \$1.3 million (\$4.3 million if there is a surviving spouse), the heirs will receive the assets with a carryover basis from the deceased taxpayer (limited to fair market value at time of death).

5. The gift tax remains in place during 2010, but the gift tax rate drops from 45% to 35%. The amount taxpayers can transfer during their lifetimes before owing gift tax remains at \$1 million similar to the rules in place prior to 2010. However, the amount of the applicable gift tax credit amount decreases to \$330,800 to correspond with the decrease in the gift tax rate to 35%.

6. Under the current rules, the estate and GST tax will return on January 1, 2011 to the pre 2001 Tax Act levels which only allow a taxpayer to transfer \$1 million (adjusted for inflation) of assets at death before owing estate taxes. The estate tax rate would also return to 55%. However, the assets passing through the taxpayer's estate would receive a full step up in basis similar to the rules in place prior to 2010.

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7. Prior to 2010, taxpayers needed an AGI under \$100,000 in order to convert a traditional IRA to a Roth IRA. The AGI threshold is eliminated for 2010. As a result, all taxpayers regardless of income and filing status can convert to a Roth IRA in 2010. Taxpayers can elect to include in gross income all of the income upon conversion in 2010 or to include 50% in 2011 and the other 50% in 2012.

8. Prior to 2010, taxpayers with AGIs above the threshold had to phaseout a portion of their itemized deductions and personal exemptions. These phaseouts are eliminated in 2010.

9. Multiple tax deductions expired as of December 31, 2009 including: (1) \$250 above-the-line deduction for K-12 grade teacher's classroom expenses, (2) up to \$4,000 above-the-line deduction for tuition and fees, (3) the option to deduct state and local sales taxes instead of state and local income taxes, (4) the exclusion of up to \$2,400 in unemployment compensation, and (5) the exclusion from income on qualified distributions from a retirement plan given to a charity.

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Personal Exemption **2009** **2010**

Personal exemption amount per person 3,650 3,650

<i>Phaseout is 0.67% for every \$2,500 or fraction thereof that AGI exceeds the following amounts up to 1/3rd of the personal exemption amount:</i>		Repealed
<u>Single</u>	<u>166,800</u>	n/a
<u>Married filing jointly or surviving spouse</u>	<u>250,200</u>	n/a
<u>Married filing separately</u>	<u>125,100</u>	n/a
<u>Head of household</u>	<u>208,500</u>	n/a
Maximum reduced personal exemption amount per person	2,433	n/a
<i>The personal exemption is not reduced below \$2,433 per person once the taxpayer's AGI exceeds the following amounts:</i>		
<u>Single</u>	<u>289,300</u>	n/a
<u>Married filing jointly or surviving spouse</u>	<u>372,700</u>	n/a
<u>Married filing separately</u>	<u>186,350</u>	n/a
<u>Head of household</u>	<u>331,000</u>	n/a

Standard Deductions **2009** **2010**

Single 5,700 5,700

Married filing jointly or surviving spouse 11,400 11,400

Married filing separately 5,700 5,700

Head of household 8,350 8,400

Additional standard deduction amount if age 65 or older or blind

Married (per person) 1,100 1,100

Unmarried 1,400 1,400

Taxpayer is claimed as a dependent

No earned income 950 950

Earned income (earned income plus amount) 300 300

Maximum deduction using earned income 5,700 5,700

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Itemized Deductions	2009	2010
Deductible for each casualty and theft loss (before considering 10% AGI threshold)	500	100
<i>Phaseout is 1% that AGI exceeds the following amounts (not to exceed 80% of deductions):</i>		Repealed
<u>Single</u>	<u>166,800</u>	<u>n/a</u>
<u>Married filing jointly or surviving spouse</u>	<u>166,800</u>	<u>n/a</u>
<u>Married filing separately</u>	<u>83,400</u>	<u>n/a</u>
<u>Head of household</u>	<u>166,800</u>	<u>n/a</u>

Employment Taxes	2009	2010
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Social Security tax rate

Employer's portion	6.2%	6.2%
Employee's portion	6.2%	6.2%
Total for self-employed individual	12.4%	12.4%

Maximum amount of earnings subject to Social Security taxes	106,800	106,800
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Medicare tax rate

Employer's portion	1.45%	1.45%
Employee's portion	1.45%	1.45%
Total for self-employed individual	2.9%	2.9%

Maximum amount of earnings subject to Medicare taxes	Unlimited	Unlimited
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Total employment taxes

Employer's portion	7.65%	7.65%
Employee's portion	7.65%	7.65%
Total for self-employed individual	15.3%	15.3%

Percentage of self-employed earnings subject to SE taxes	92.35%	92.35%
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Percentage of SE taxes deducted above-the-line	50%	50%
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Kiddie Tax	2009	2010
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Amount not subject to tax due to personal exemption	950	950
Amount taxed at child's rate of 10%	950	950
Unearned income above these amounts taxed at parents' marginal tax rate	Unlimited	Unlimited

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Child Tax Credit **2009** **2010**

Child tax credit per child 1,000 1,000

Phaseout of \$50 for every \$1,000 or fraction thereof that AGI exceeds the following amounts (completely phased out if AGI exceeds threshold by \$20,000 per child):

<u>Single</u>	<u>75,000</u>	<u>75,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>110,000</u>	<u>110,000</u>
<u>Married filing separately</u>	<u>55,000</u>	<u>55,000</u>
<u>Head of household</u>	<u>75,000</u>	<u>75,000</u>

Child or Dependent Care Credit **2009** **2010**

Maximum amount of qualifying expenses

One child or dependent	3,000	3,000
Two or more children or dependents	6,000	6,000

AGI amount when credit reduced to 20% level 43,000 43,000

Maximum credit, assuming taxpayer's AGI at 20% level

One child or dependent	600	600
Two or more children or dependents	1,200	1,200

American Opportunity Tax Credit (formerly called Hope Credit) **2009** **2010**

Credit percentage amounts

<u>First \$2,000</u>	<u>100%</u>	<u>100%</u>
<u>Second \$2,000</u>	<u>25%</u>	<u>25%</u>

Maximum credit \$2,500 \$2,500

Phaseout starts at the following AGI amounts:

<u>Single</u>	<u>80,000</u>	<u>80,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>160,000</u>	<u>160,000</u>
<u>Married filing separately</u>	0	0
<u>Head of household</u>	<u>80,000</u>	<u>80,000</u>

Credit completely phased out at the following AGI amounts:

<u>Single</u>	<u>90,000</u>	<u>90,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>180,000</u>	<u>180,000</u>
<u>Married filing separately</u>	0	0
<u>Head of household</u>	<u>90,000</u>	<u>90,000</u>

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Lifetime Learning Credit	2009	2009
<i>Credit percentage amounts</i>		
<u>First \$10,000</u>	<u>20%</u>	<u>20%</u>
Maximum credit	\$2,000	\$2,000
<i>Phaseout starts at the following AGI amounts:</i>		
<u>Single</u>	<u>50,000</u>	<u>50,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>100,000</u>	<u>100,000</u>
<u>Married filing separately</u>	<u>0</u>	<u>0</u>
<u>Head of household</u>	<u>50,000</u>	<u>50,000</u>
<i>Credit completely phased out at the following AGI amounts:</i>		
<u>Single</u>	<u>60,000</u>	<u>60,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>120,000</u>	<u>120,000</u>
<u>Married filing separately</u>	<u>0</u>	<u>0</u>
<u>Head of household</u>	<u>60,000</u>	<u>60,000</u>
Education Expenses	2009	2010
Above-the-line deduction for educational loan interest payments	2,500	2,500
<i>Phaseout of educational loan interest deduction starts at the following AGI amounts:</i>		
Single	60,000	60,000
Married filing jointly or surviving spouse	120,000	120,000
Married filing separately	0	0
Head of household	60,000	60,000
<i>Educational loan interest deduction completely phased out at the following AGI amounts:</i>		
Single	75,000	75,000
Married filing jointly or surviving spouse	150,000	150,000
Married filing separately	0	0
Head of household	75,000	75,000

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Above-the-line deduction for tuition and related expenses	4,000	Expired
<i>AGI limitations to claim up to the full \$4,000 above-the-line deduction</i>		
Single	65,000	n/a
Married filing jointly or surviving spouse	130,000	n/a
Married filing separately	65,000	n/a
Head of household	65,000	n/a
<i>AGI limitation to claim up to \$2,000 above-the-line deduction if AGI exceeds the limits above for the \$4,000 deduction</i>		
Single	80,000	n/a
Married filing jointly or surviving spouse	160,000	n/a
Married filing separately	80,000	n/a
Head of household	80,000	n/a

Tax-free treatment on Series EE bonds		
<i>Phaseout of tax-free treatment on Series EE bonds starts at the following AGI amounts:</i>		
Single	69,950	70,100
Married filing jointly or surviving spouse	104,900	105,100
Married filing separately	69,950	70,100
Head of household	69,950	70,100
<i>Tax-free treatment on Series EE bonds completely phased out at the following AGI amounts:</i>		
Single	84,950	85,100
Married filing jointly or surviving spouse	134,900	135,100
Married filing separately	84,950	85,100
Head of household	84,950	85,100

Coverdell Education Savings Accounts	2009	2010
Coverdell Education Savings Account (ESA) contribution limit	2,000	2,000
<i><u>Phaseout of ESA contribution starts at the following AGI amounts:</u></i>		
<u>Single</u>	<u>95,000</u>	<u>95,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>190,000</u>	<u>190,000</u>
<u>Married filing separately</u>	<u>95,000</u>	<u>95,000</u>
<u>Head of household</u>	<u>95,000</u>	<u>95,000</u>

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ESA contribution completely phased out at the following AGI amounts:

<u>Single</u>	<u>110,000</u>	<u>110,000</u>
<u>Married filing jointly or surviving spouse</u>	<u>220,000</u>	<u>220,000</u>
<u>Married filing separately</u>	<u>110,000</u>	<u>110,000</u>
<u>Head of household</u>	<u>110,000</u>	<u>110,000</u>

Section 179 Deduction	2009	2010
Section 179 deduction amount	250,000	134,000
Limit on property placed in service	800,000	530,000

Income Tax Rates	2009	2010
Marginal tax rate ends at the following income levels:		
<u>Single</u>		
<u>10%</u>	<u>8,350</u>	<u>8,375</u>
<u>15%</u>	<u>33,950</u>	<u>34,000</u>
<u>25%</u>	<u>82,250</u>	<u>82,400</u>
<u>28%</u>	<u>171,550</u>	<u>171,850</u>
<u>33%</u>	<u>372,950</u>	<u>373,650</u>
<u>35%</u>	<u>Unlimited</u>	<u>Unlimited</u>
<u>Married filing jointly or surviving spouse</u>		
<u>10%</u>	<u>16,700</u>	<u>16,750</u>
<u>15%</u>	<u>67,900</u>	<u>68,000</u>
<u>25%</u>	<u>137,050</u>	<u>137,300</u>
<u>28%</u>	<u>208,850</u>	<u>209,250</u>
<u>33%</u>	<u>372,950</u>	<u>373,650</u>
<u>35%</u>	<u>Unlimited</u>	<u>Unlimited</u>
<u>Married filing separately</u>		
<u>10%</u>	<u>8,350</u>	<u>8,375</u>
<u>15%</u>	<u>33,950</u>	<u>34,000</u>
<u>25%</u>	<u>68,525</u>	<u>68,650</u>
<u>28%</u>	<u>104,425</u>	<u>104,625</u>
<u>33%</u>	<u>186,475</u>	<u>186,825</u>
<u>35%</u>	<u>Unlimited</u>	<u>Unlimited</u>

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Lifetime gifts

Applicable exclusion amount	1,000,000	1,000,000
<u>Applicable credit amount</u>	<u>345,800</u>	<u>330,800</u>

Bequests at death

Applicable exclusion amount	3,500,000	Repealed
<u>Applicable credit amount</u>	<u>1,455,800</u>	<u>Repealed</u>

Maximum amount of step-up in basis at death in 2010 (carryover basis on any assets above these amount in 2010)

Assets passing to any heir (including surviving spouse)	n/a	1,300,000
Additional step-up for other assets passing outright to surviving spouse (not in marital trust)	n/a	3,000,000

<u>Top estate tax rate</u>	<u>45%</u>	<u>Repealed</u>
<u>Top gift tax rate</u>	<u>45%</u>	<u>35%</u>

Generation-skipping transfer (GST) tax

Annual GST exclusion	13,000	Repealed
Lifetime GST exemption amount	3,500,000	Repealed
Flat GST tax rate	45%	Repealed

Special-use valuation limit	1,000,000	1,000,000
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Retirement Plans

2009

2010

Taxpayer or employee contribution limits

IRA (combined traditional and Roth IRA limit)	5,000	5,000
401(k) plans	16,500	16,500
403(b) plans	16,500	16,500
457 plans	16,500	16,500
SIMPLE plans	11,500	11,500

Catch-up contribution limits

IRA (combined traditional and Roth IRA limit)	1,000	1,000
401(k) plans	5,500	5,500
403(b) plans	5,500	5,500
457 plans	5,500	5,500
SIMPLE plans	2,500	2,500

Defined-contribution plan limitations

Participating payroll	25%	25%
Maximum percentage of employee's compensation	100%	100%
Participant's contribution not to exceed	49,000	49,000
Maximum compensation to be considered	245,000	245,000

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Defined-benefit plan limitations

Maximum annual benefit	195,000	195,000
Maximum compensation to be considered	245,000	245,000

SEP plan limitations

Maximum percentage of employee's compensation	25%	25%
Participant's contribution not to exceed	49,000	49,000
Minimum compensation needed to participate	550	550
Maximum compensation to be considered	245,000	245,000

Qualified plan definitions

Highly-compensated employee

Any employee who owns 5% or more of the company		
Any employee among the top 20% highest-paid and paid more than	110,000	110,000

Key employee

Any officer earning	160,000	160,000
Any employee who owns 5% or more of the company		
Any employee who owns 1% or more of the company and makes	150,000	150,000

Phaseout of IRA deduction starts at the following amounts:

Single	55,000	56,000
Married filing jointly or surviving spouse	89,000	89,000
Married filing separately	0	0
Head of household	55,000	56,000

IRA deduction completely phased out at the following amounts:

Single	65,000	66,000
Married filing jointly or surviving spouse	109,000	109,000
Married filing separately	10,000	10,000
Head of household	65,000	66,000

Phaseout of IRA deduction with an active participant spouse

AGI limit when phaseout starts	166,000	167,000
AGI limit when completely phased out	176,000	177,000

Phaseout of Roth IRA contributions starts at the following amounts:

Single	105,000	105,000
Married filing jointly or surviving spouse	166,000	167,000
Married filing separately	0	0
Head of household	105,000	105,000

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Roth IRA contribution completely phased out at the following amounts:

Single	120,000	120,000
Married filing jointly or surviving spouse	176,000	177,000
Married filing separately	10,000	10,000
Head of household	120,000	120,000

<i>AGI limitations to convert a traditional IRA to a Roth IRA (AGI limitation repealed for 2010)</i>	2009	2010
Single	100,000	n/a
Married filing jointly or surviving spouse	100,000	n/a
Married filing separately	n/a	n/a
Head of household	100,000	n/a

Social Security Benefits **2009** **2010**

Limit on earnings before the reduction of benefits of \$1 for every \$2 earnings above limitation

Under full retirement age	14,160	14,160
Over full retirement age	n/a	n/a

Amount needed to earn one Social Security credit	1,090	1,120
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Medicare	2009	2010
<i>Part A deductibles for hospital stays</i>		
Days 1-60 (total deductible for all 60 days)	1,068	1,100
Days 61-90 (deductible per day)	267	275
Days 91-150 (deductible per day)	534	550
<i>Part A deductibles for skilled nursing facility</i>		
Days 1-20	0	0
Days 21-100 (deductible per day)	133.50	137.50
<i>Part B monthly premium (monthly premiums will be higher if AGI exceeds \$85,000 for single taxpayers or \$170,000 MFJ taxpayers, base amount of \$96.40 applies in 2010 to most clients who were already on Medicare prior to 2010)</i>	96.40	110.50
<i>Part B annual deductible</i>	135	155