

Cohen, Wolf buy
UI building for
new law offices



An Invitation

Cohen and Wolf, P.C.
 cordially invites you to celebrate
the opening of its new office
in the former United Illuminating Building
115 Broad Street, Bridgeport, Connecticut
Thursday, November 11, 1983 4:30 to 7:30 PM

Income Tax Relief for 2011 and 2012

02.16.2011

On December 17, 2010, President Obama signed the “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010,” more commonly referred to as the “Tax Relief Act” or “TRA.” The TRA, which itself is a temporary fix, addressed the Bush-era tax cuts that were due to expire on January 1, 2011.

As part of the comprehensive tax issues that were tackled, the TRA addressed the income tax rates that were due to expire. The TRA extended the Bush-era tax rates through 2012 for all types of income (e.g. ordinary income, qualifying dividends and capital gains). Therefore, the income tax rates on ordinary income remain at 10, 25, 28, 33 and 35 percent. There is also a two-year extension of the reduced 0 or 15 percent rate for capital gains and dividends.

The TRA also extends the income tax rates, itemized deductions and personal exemptions which were due to be phased out, through the end of 2012. Furthermore, the TRA granted marriage penalty relief and expanded the dependent care credit. The child care credit of \$1,000 and earned income tax credit are also extended for two years.

The TRA also granted relief for payroll taxes. Wage earners will see a little extra in their paychecks in 2011. The employee’s portion of FICA (Social Security) tax will decrease from 6.2% to 4.2% for incomes up to \$106,800. Moreover, a self-employed individual’s portion of FICA will decrease from 12.4% to 10.4% for incomes up to \$106,800. Employers, however, will not see the same tax break.

Of interest to many middle-income taxpayers is the extension of the Alternative Minimum Tax (“AMT”) “patch” that was made in the TRA. Without the patch, which provided for higher exemptions from the AMT, an estimated 21 million additional households would be subject to AMT.

In summary, the TRA, which is itself not a permanent solution, addressed the Bush-era tax cuts that were due to expire on January 1, 2011. In addition to the above income tax extensions, the TRA also addressed the estate and gift tax, business taxes, tax extenders, and investment incentives. If you have any

questions about any of the provisions of the TRA and how they may affect you, your family or your business, please contact an attorney in our tax department.

PRACTICE AREAS

Tax

