



Jim Lange's 2005-2006 Tax Planning Card

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HOW to COMPUTE YOUR FEDERAL INCOME TAX

Example: For a married couple in 2005 with taxable income of \$70,000, refer to the *MARRIED FILING JOINTLY* section of the 2005 chart listed below. See \$59,401 - 119,950 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$6,670 = \$10,830$$

CALCULATION of TAXABLE INCOME

To determine taxable income, please follow these steps:

1. List your total income. (*U.S. Form 1040, Line 22*)
2. Subtract adjustments to income, which include allowable IRA/SEP/Keogh deductions, alimony paid and one-half of self-employment tax. (*Line 36*)
3. You now have your adjusted gross income, AGI. (*Line 37*)
4. Subtract the larger of the standard deduction or your itemized deductions. (*Line 40*)
5. Subtract your deduction for personal exemptions. (*Line 42*)
6. Arrive at taxable income. (*Line 43*)
7. Insert taxable income into the appropriate table below.
8. Make adjustments for dividends and capital gains.

2005 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 14,600	x 10%	- \$ 0	= Tax
14,601 - 59,400	x 15%	- 730	= Tax
59,401 - 119,950	x 25%	- 6,670	= Tax
119,951 - 182,800	x 28%	- 10,269	= Tax
182,801 - 326,450	x 33%	- 19,409	= Tax
326,451 and above	x 35%	- 25,938	= Tax

SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 7,300	x 10%	- \$ 0	= Tax
7,301 - 29,700	x 15%	- 365	= Tax
29,701 - 71,950	x 25%	- 3,335	= Tax
71,951 - 150,150	x 28%	- 5,494	= Tax
150,151 - 326,450	x 33%	- 13,002	= Tax
326,451 and above	x 35%	- 19,531	= Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 10,450	x 10%	- \$ 0	= Tax
10,451 - 39,800	x 15%	- 523	= Tax
39,801 - 102,800	x 25%	- 4,503	= Tax
102,801 - 166,450	x 28%	- 7,587	= Tax
166,451 - 326,450	x 33%	- 15,910	= Tax
326,451 and above	x 35%	- 22,439	= Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 7,300	x 10%	- \$ 0	= Tax
7,301 - 29,700	x 15%	- 365	= Tax
29,701 - 59,975	x 25%	- 3,335	= Tax
59,976 - 91,400	x 28%	- 5,134	= Tax
91,401 - 163,225	x 33%	- 9,704	= Tax
163,226 and above	x 35%	- 12,969	= Tax

2006 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 15,100	x 10%	- \$ 0	= Tax
15,101 - 61,300	x 15%	- 755	= Tax
61,301 - 123,700	x 25%	- 6,885	= Tax
123,701 - 188,450	x 28%	- 10,596	= Tax
188,451 - 336,550	x 33%	- 20,019	= Tax
336,551 and above	x 35%	- 26,750	= Tax

SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 7,550	x 10%	- \$ 0	= Tax
7,551 - 30,650	x 15%	- 378	= Tax
30,651 - 74,200	x 25%	- 3,443	= Tax
74,201 - 154,800	x 28%	- 5,669	= Tax
154,801 - 336,550	x 33%	- 13,409	= Tax
336,551 and above	x 35%	- 20,140	= Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 10,750	x 10%	- \$ 0	= Tax
10,751 - 41,050	x 15%	- 538	= Tax
41,051 - 106,000	x 25%	- 4,643	= Tax
106,001 - 171,650	x 28%	- 7,823	= Tax
171,651 - 336,550	x 33%	- 16,406	= Tax
336,551 and above	x 35%	- 23,137	= Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 7,550	x 10%	- \$ 0	= Tax
7,551 - 30,650	x 15%	- 378	= Tax
30,651 - 61,850	x 25%	- 3,443	= Tax
61,851 - 94,225	x 28%	- 5,299	= Tax
94,226 - 168,275	x 33%	- 10,010	= Tax
168,276 and above	x 35%	- 13,376	= Tax

Net long-term capital gains will reduce computed Quick Calc tax liability.

REDUCTION in TAX RATES on CAPITAL GAINS and QUALIFYING DIVIDENDS

The maximum capital gains tax rate for most capital assets is 15%. The maximum tax rate on qualifying dividends is also 15%.

FOR MORE INFORMATION

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PERSONAL EXEMPTIONS

Personal exemptions are the amount you may deduct for yourself, your spouse, and your dependents.

For 2005 and 2006, the personal exemption deductions are \$3,200 and \$3,300, respectively.

High income taxpayers will suffer phase-outs of their exemptions and dependents.

2005 and 2006 STANDARD DEDUCTIONS

The standard deduction is the amount you may deduct if you do not itemize your deductions.

	2005 Standard Deduction	2005 + Age 65 or Over or Blind (EACH)	2006 Standard Deduction	2006 + Age 65 or Over or Blind (EACH)
Married Filing Jointly	\$ 10,000	\$ 1,000	\$10,300	\$ 1,000
Qualifying Widow(er)				
Single	5,000	1,250	5,150	1,250
Head of Household	7,300	1,250	7,550	1,250
Married Filing Separately	5,000	1,000	5,150	1,000

PENNSYLVANIA INCOME TAXES

PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2005 and 2006.

PA Corporate Tax

The Corporate Tax rate is 9.99% for 2005. The Capital Stock Tax rate is 5.99 mills in 2005.

SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2006	\$ 0 - 94,200	7.65%	\$ 7,206	15.3%	\$14,413
2006	94,201 and above	1.45%	unlimited	2.9%	unlimited

Please note there are three components of Social Security Tax:

1. Social Security Tax	5.60%
2. Disability	.60%
3. Medicare Hospital	1.45%
Paid by Employees & Employers	7.65%*

*The Self-Employment Tax is twice this amount. Also please note that one-half of the self-employment tax is deductible as an adjustment to income.

ESTATE and INHERITANCE TAXES

Pennsylvania Inheritance Tax

Transfers to lineal heirs (such as children, grandchildren, parents and grandparents) are taxed at 4½%. Transfers to siblings are taxed at 12% and all other transfers (except transfers to charity) are taxed at 15%. Pennsylvania still allows tax-free transfers to spouses during life and at death.

Federal Estate and Gift Tax

The federal government allows unlimited marital deduction for surviving spouses who are American citizens.

The amount from an estate that can be transferred at death without incurring federal estate taxes, will increase according to the following schedule:

2005	\$1,500,000
2006	2,000,000
2007	2,000,000
2008	2,000,000
2009	3,500,000
2010	*See Below
2011	1,000,000

The gift tax exclusions per donee are \$11,000/year in 2005 and \$12,000/year in 2006.

*Full repeal of estate tax; gift tax at top income tax rate

2005 and 2006 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2005	2005 Age 50 or Over	2006	2006 Age 50 or Over
Roth IRA	\$ 4,000	\$ 4,500	\$ 4,000	\$ 5,000
IRA	\$ 4,000	\$ 4,500	\$ 4,000	\$ 5,000
SEP (Self-Employed)	42,000	42,000	44,000	44,000
SEP (Employee)	42,000	42,000	44,000	44,000
403(b)/Roth 403(b)* (Employee)	14,000	18,000	15,000	20,000
Self-Employed Profit Sharing (Keogh)	42,000	42,000	44,000	44,000
Self-Employed Money Purchase (Keogh)	42,000	42,000	44,000	44,000
401K/Roth 401K* (Employee & Self-Employed)	14,000	18,000	15,000	20,000
SIMPLE	10,000	12,000	10,000	12,500

*Roth 403(b)/401K effective January 1, 2006



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With your best interest in mind,

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