



## IRS Indexed Figures for 2012

Tax benefit	2011	2012
<b>Adoption Credit</b>		
This non-refundable credit starts to phase out at \$189,710 of modified adjusted gross income (AGI) levels, and is completely phased out when modified AGI reaches \$229,710. (Previous legislation expires 12-31-2011)	\$13,360	\$12,650
<b>Adoption Credit through Section 125 Cafeteria Plan</b>		
A participant may take the exclusion from income and the tax credit if enough expenses are incurred to support both platforms.	\$13,360	\$12,650
<b>Commuter Accounts</b>		
Parking - Monthly limit	\$230	\$240
Transit and vanpooling - Monthly limit (Previous legislation expires 12-31-2011)	\$230	\$125
<b>Health Savings Account (HSA)</b>		
Minimum deductible amounts for the qualifying high-deductible health plan (HDHP)		
Individual coverage	\$1,200	\$1,200
Family coverage	\$2,400	\$2,400
<i>Maximum contribution levels</i>		
Individual coverage	\$3,050	\$3,100
Family coverage	\$6,150	\$6,250
Catch up contribution allowed for those 55 and over	\$1,000	\$1,000
<i>Maximums for HDHP out-of-pocket expenses</i>		
Individual coverage	\$5,950	\$6,050
Family coverage	\$11,900	\$12,100
<b>Long-Term Care</b>		
For a qualified long-term care insurance policy, the maximum non-taxable per diem	\$300 per pay	\$310 per day

### Dependent and/or Child Day Care Expenses

Just a reminder. Although the day care expense limit associated with a cafeteria plan is not indexed, the credit available through a participant's tax filing was raised in 2003. The day care expenses credit must be filed on Form 2441, which should be attached to the 1040 tax filing form.

The cafeteria plan day care contribution limit remains at \$5,000 for a married couple filing a joint return, or for a single parent filing as "Head of Household." For a married couple filing separate returns, the limit is \$2,500 each.

The limits for the day care expenses credit are \$3,000 of expenses covering one child and \$6,000 for families with two or more children. If one of the parents is going to school full time or is incapable of self-care, the non-working spouse would be "deemed" as earning \$250 per month for one qualifying child and \$500 for two or more qualifying children. This "deemed" earned income is to be used whether a person is using the employer's cafeteria plan or taking the day care credit.

The day care credit is reduced, dollar for dollar, by contributions to or benefits received from an employer's cafeteria plan. A participant may participate in their employer's cafeteria plan and also take a portion of the day care expenses through the credit if they have sufficient expenses in excess of their cafeteria plan annual election, but within the tax credit limits.



### **Earned Income Tax Credit**

By participating in a cafeteria plan, the participant will be lowering their income for the Earned Income Tax Credit (EITC). Check the new limits in [IRS Publication 596 "Earned Income Credit"](#) and for more information about this tax credit.

### **Social Security and Medicare Wage Base**

For 2012, the Social Security wage base will increase to \$110,100 from \$106,800 in 2011. The tax rate for employee withholdings is 7.65% barring any last-minute legislation. The Social Security rate of 6.2% is applied to wages up to the maximum taxable amount for the year. The employer matching FICA rate remains at 7.65% of wages up to the maximum taxable amount. The Medicare portion of 1.45% is applied to all wages.

### **Indexed Compensation Levels**

The indexed compensation levels for determining who is highly compensated or a key employee are as follows.

	<b>2010</b>	<b>2011</b>	<b>2012</b>
Highly Compensated Employee	\$110,000	\$110,000	\$115,000
Top Paid Group of 20%	\$110,000	\$110,000	\$115,000
Key Employee, Officer	\$160,000	\$160,000	\$165,000

### **401(k) Plans**

The maximum for elective deferrals will increase to \$17,000 for 2012. And for those 50 or older, the catch-up contribution rate will remain the same as it was in 2011 at \$5,500 for 2012.