

Tax Calculation

Taxes for Cliff in 2009 are \$50,545, and taxes for Amy are \$12,338.

Cliff	Amy	
Single	Head Hsld	Filing Status in 2009
1	2	Number of exemptions

Income:

0	48,000	Wages and salary.
0	0	Taxable interest income.
6,200	3,600	Taxable dividend income.
0	24,000	Spousal Support income.
145,000	0	Business and farm income.
12,250	12,250	Capital gain taxable.
0	0	Other gains and losses.
0	0	Taxable IRA and pension income.
0	0	Rent, royalty, partnership, S corporation.
0	0	Social Security taxable.
0	0	Other income.
163,450	87,850	Taxable gross income.

Adjustments:

0	0	Payroll deductions for health, etc.
0	0	IRA deduction.
0	0	Moving expenses.
8,564	0	Deduction of 1/2 of self-employment tax.
0	0	Part of health insurance for self-employed people.
24,000	0	Spousal Support paid.
0	0	Interest on education loans.
0	0	Other deductions.
32,564	0	Total adjustments.
130,886	87,850	Adjusted Gross Income ("AGI") = gross income - total adjustments).

Itemized Deductions:

0	0	Deductible medical expenditures.
9,302	2,045	State income taxes.
0	0	Local income taxes.
0	4,380	Real estate taxes.
0	17,635	Mortgage interest.
0	0	Charitable contributions.
0	0	Miscellaneous, subject to 2% AGI threshold.
0	0	miscellaneous, after 2% AGI threshold.
0	0	Miscellaneous, not subject to 2% AGI threshold.
9,302	24,060	Itemized deductions before phase-out.
9,302	24,060	Itemized deductions after phase-out.
5,700	8,850	Compare: standard deduction.

Tax Calculation (cont.)

Clif	Amy	
Exemptions:		
3,650	7,300	Deduction for exemptions before phase-out.
3,650	7,300	Deduction for exemptions after phase-out.
Tax Before Credits and Other Taxes:		
117,934	56,490	Taxable Income = AGI - greater of itemized or standard deductions - exemptions.
24,460	7,283	Tax before credits and other taxes (from tax table or formula).
28	25	Marginal federal tax bracket (%)
Non-refundable Credits:		
0	0	Child care credit.
0	0	Hope education credit.
0	0	Lifetime learning credit.
0	0	Child credit, after phase-out, non-refundable portion.
0	0	Total non-refundable credits (reduce tax, but not below zero).
Refundable Credits:		
0	350	Child credit, after phase-out, refundable portion.
0	0	Earned income credit.
0	143	Making work pay credit.
0	0	Hope credit, refundable portion.
0	493	Total refundable credits (can reduce tax below zero and generate a payment from the IRS).
Other Taxes on Form 1040:		
0	0	Tax on retirement plan premature distribution.
0	0	Alternative minimum tax. <input checked="" type="checkbox"/> Leave AMT exemptions at 2009 levels (assume Congress continues to prevent scheduled reversion).
0	0	Lump-sum distribution 5- or 10- year averaging.
17,127	0	Self-employment tax.
Total Federal Income Tax:		
		= tax before credits and other taxes - total nonrefundable credits (down to zero) - total refundable credits + other taxes on Form 1040
41,587	6,790	Total Federal Income Tax.
Taxes Not on Form 1040:		
0	2,976	FICA Taxes.
0	696	Medicare Taxes.
8,958	1,876	State Income Tax

Tax Calculation (cont.)

Total Taxes:

50,545

12,338 Total taxes.
