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## **Little to No Upward Adjustments to IRS Limitations in 2010**

For the first time since the cost-of-living adjustments were enacted, there will be little to no change in the limitations on tax rate brackets and various other tax provisions in 2010. You might wonder why? In 2009, the inflation rate, measured by the consumer price index (CPI), decreased. Over the past 12 months, CPI decreased 1.3% according to the US Department of Labor. This has been the largest drop in nearly 60 years.

The provisions affected by the CPI are not allowed to decrease in the event the index drops. It is only when the CPI increases that the provisions are recomputed. Key provisions that may affect you for 2010 include:

- The value of each personal and dependency exemption will remain at \$3,650.
- Various tax bracket thresholds will see minor adjustments. For example, for a married couple filing a joint return the taxable income threshold separating the 15% bracket from the 25% bracket is \$68,000, up from \$67,900 in 2009.
- Annual gift tax exclusion remains unchanged at \$13,000.
- Maximum elective 401(k) deferral holds steady at \$16,500 for participants under age 50; the catch-up for participants over age 50 also stays the same at \$5,500 in 2010.
- Wages subject to social security tax remain at \$106,800 for 2010.

By being aware of these changes in the upcoming year, you can get a jump on your tax planning for 2010. A smart move made early always helps your bottom line.

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