



# ED SLOTT'S IRA ADVISOR

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## TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

### New Income, Estate & IRA Tax Rules 2010 Tax Act Highlights

The President signed the 2010 Tax Act (Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010) into law on December 17, 2010.

The highlights include an increase in the estate tax exemption and the extension of the current (2010) tax rates for 2011 and 2012.

#### Estate Tax for 2011-2012

Maximum rate 35%

\$5 million exemption per person, indexed for inflation (\$10 million per couple and the unused exemption is **portable** to the surviving spouse)

\$5 million GST exemption - the unused exemption is **NOT portable**

\$5 million gift tax exemption

Step-up in basis for qualifying estate assets (but not for IRAs)

#### Estate Tax for 2010

Executor can use the new rules (\$5 /\$10 million exemption) or NO estate tax rules with carryover basis after \$1.3 million basis step-up for qualifying assets (\$3 million for a surviving spouse)

**For 2010:** Gift tax exemption stays at \$1 million

Due date for estate tax returns for 2010 deaths: 9 months from December 17, 2010 (the date of enactment)

#### What to Tell Your Clients

More Roth IRAs and traditional IRAs will pass estate tax free (up to \$5 million per person / \$10 million per couple). Most inherited Roth IRAs will now not only be income tax free, but also estate tax free.

### A Comparison of the Top Federal Tax Rates for Different Types of Income

Income Type	2010	2011	2012	2013*
Taxable IRA distributions and Roth conversions (Ordinary Income)	35.0%	35.0%	35.0%	39.6%
Short-term Capital Gains	35.0%	35.0%	35.0%	43.4%
Long-term Capital Gains	15.0%	15.0%	15.0%	23.8%
Interest Income	35.0%	35.0%	35.0%	43.4%
Qualified Dividend Income	15.0%	15.0%	15.0%	43.4%
Qualified Roth IRA Distributions	0%	0%	0%	0%

\*In 2013 the top federal tax rate includes income taxes **and** the 3.8% surtax on investment income

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