visions IN PERSONAL PLANNING

What you know about 2010 tax law changes can help you now and later

- Planning in 2011-2012
- What happens next?

fall 2011

Tax Law Changes and Your Personal Planning

The current tax law environment can be described as unpredictable. In some ways, it is difficult to plan for the long-term—but prudent to plan nonetheless. This issue of *Visions* reviews important provisions of the 2010 tax law and the impact on your personal planning.

As you look to the future and meet with your advisors, it might also be helpful to know where charitable giving can fit into your planning. If you have questions about options for supporting the work of the Zeta Beta Tau Foundation while meeting your planning needs, please let us know. We can help you explore strategies compatible with both your short-term and long-term goals.

In addition to the helpful information in *Visions,* we can send you the 2011 *Taxpayer's Home Companion*—a compendium of rates and figures that can help in preparing income tax returns. Simply return the reply card or contact us by phone or email for this handy guide.

Thank you for your ongoing support. We look forward to hearing from you.

Cordially, Fraternally and Sincerely,
Faron A. Lewitt

2011 Brummer Cup Winner: Alpha Rho Chapter, University of California - Los Angeles

Brothers singing the Fraternity song at the conclusion of the Fraternity's 98th Convention

NEW PLANNED GIVING WEBSITE!

Visit **www.zbt.org/plannedgiving** to learn more about options for integrating tax-favored giving with your personal planning.

ZETA BETA TAU FOUNDATION

The Impact of the 2010 Tax Law

There is so much news from Washington that sorting it all out can be a challenge. In this issue of *Visions*, we summarize parts of a recent tax law that affects individual taxpayers—the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

What Is New?

Will your estate be subject to federal taxes?

We finally have a law that answers the question…*what will happen to the estate tax?*

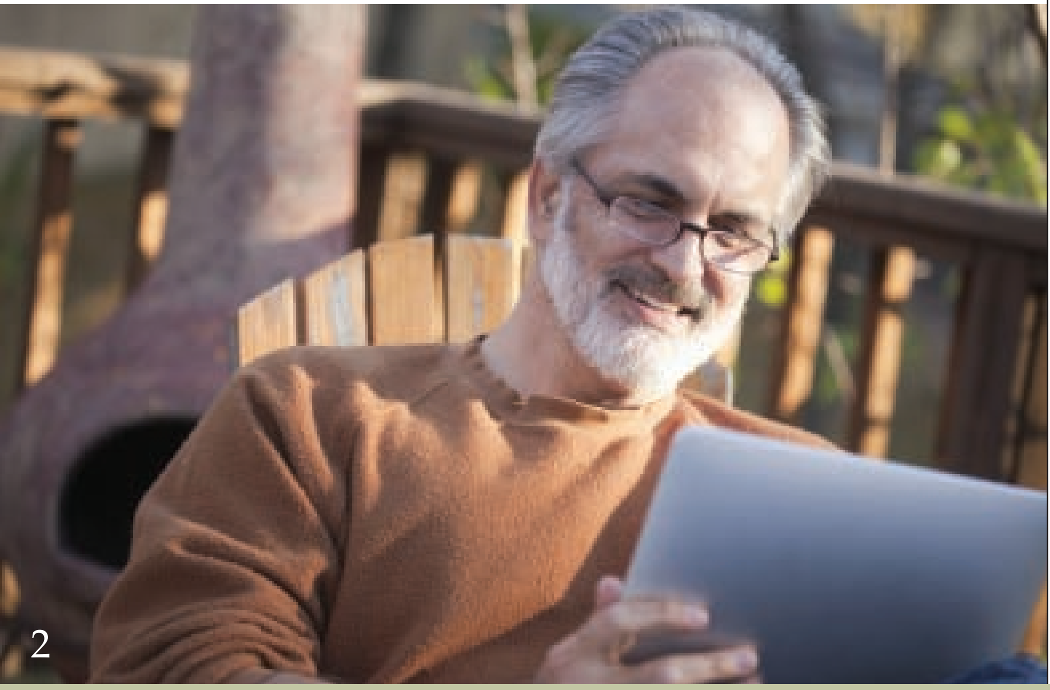
- The estate tax exemption—the amount in a taxable estate that is protected from tax—is set at $5 million ($10 million for married couples) in 2011 and 2012.
- The top estate tax rate for taxable estates is set at 35%—down significantly from 45% in 2009.
- Both lifetime gifts and estates have the same exemption amount and the same top tax rate—linking lifetime gift and estate taxes into what is referred to as the "unified" credit.
- A novel feature has been added to the estate tax law that provides full portability of unused exemption amounts between spouses. This means whatever part of the $5 million amount not used by the estate of one spouse can eventually be used by the estate of the surviving spouse.
- The generation skipping transfer tax is set with a $5 million exemption and a top rate of 35%. This additional tax (different from the estate or gift tax) is imposed on transfers made to grandchildren or great-grandchildren.

PERSONAL PLANNING IDEA: The good news: The increased exemption means the federal estate tax will affect fewer estates. Furthermore, estates subject to the tax are taxed at a lower rate. The bad news is: From any perspective right now the view is a changing landscape of new tax law. Fortunately, minimizing taxes is only one of the major benefits planning holds for donors. Be sure to consult your tax advisors to learn how the current law affects your plans and ask how charitable giving can play a vital role.

Temporary cut in payroll tax

Another taxpayer-friendly provision of the new tax law is the payroll tax cut. As you know, employers are required to withhold a certain percentage of wages from every paycheck for Social Security. Employers and employees are each required to contribute 6.2% of wages—12.4% total. However, in 2011, the employee's contribution is reduced by 2% so only 4.2% of the employee's wages are required to satisfy the payroll tax.

PERSONAL PLANNING IDEA: The payroll tax cut means an employee earning $100,000 will receive an additional $2,000 in 2011. Donors can use this "windfall" to realize philanthropic goals.



What Stayed the Same?

Many important provisions are not affected by the new law.

- Lower income tax rates put into place during the Bush era remain intact for 2011 and 2012. Income tax rates still range from 10% to 35%.
- Lower long-term capital gains tax rates, also set under President Bush, remain the same for 2011 and 2012. The tax rate on long-term capital gains is 0% for individuals with a top marginal tax rate of 10% or 15%. For people in the higher marginal brackets—25% or more—the rate is 15%. These rates also apply to qualified dividends.

PERSONAL PLANNING IDEA: Remember that a double benefit can be gained by giving property with built-in long-term capital gains: One, the charitable deduction for the value of the property; and two, avoiding the capital gains tax that would result from selling the property.

- The "marriage penalty" relief provision stays in effect for 2011 and 2012. This provision doubles the standard deduction and widens the tax bracket for joint filers.
- Another popular provision the new law extended is a taxpayer's right to deduct either state sales tax *or* state income tax. This can be attractive to taxpayers who have made large purchases. It's especially good news for anyone residing in those states with no income tax.
- At one time there was a limit on how much high-income taxpayers could deduct in itemized tax deductions. When adjusted gross income reached a certain level, the taxpayer had to reduce deduction amounts. This limit was gradually phased out over several years. In 2010, there was no limit on itemized deductions for high-income taxpayers, and the new law extends this repeal for 2011 and 2012.
- The repeal on the phase-out of personal exemptions for high-income taxpayers has also been extended for 2011 and 2012.
- Many popular income tax credits (and the temporary rules that enhance the benefits of these credits) have also been extended for 2011 and 2012, including the Child and Dependent Care Credit, Adoption Credit, American Opportunity Credit (formerly known as the Hope Scholarship Credit), and the Earned Income Tax Credit.

What Will Change in the Not-Too-Distant Future?

With tax laws in flux every few years, the short answer is *who knows*? For now we can only focus on the new law—what has changed and what remains the same. However, it's important to remember the federal tax law in effect now will probably change in the near future. Indeed, the new law contains a sunset provision which means, at the end of 2011 or 2012 (depending on the particular section), the law reverts to what it was before the law was enacted. For example, the income tax rates are scheduled to jump and the number of tax brackets would be reduced to five (see chart) in 2013.

INCOME TAX RATES

2011 & 2012	2013
10%	15%
15%	28%
25%	31%
28%	36%
33%	39.6%
35%	

Congress could also pass a new law before 2013. Though it is difficult to know what will happen, it is important to keep your plans up-to-date. When you work with your advisors, remember one constant remains: The positive and reliable role charitable giving can play in meeting overall planning and wealth management goals.

GOOD NEWS FOR IRA OWNERS AND CHARITABLE GIVING

Everyone age 70½ or older with a traditional IRA must take an annual Required Minimum Distribution (RMD) or face a penalty. This rule applies even though you may still be working and even if you do not need the money. An IRA Charitable Rollover is a straightforward and simple way to satisfy the required minimum distribution rule.

Here are some important points to keep in mind:

- A donor must be 70½ or older on the date of the distribution.
- A donor directs a distribution from an IRA to a qualified charity such as ours.
- The amount distributed from an IRA is excluded from the donor's income for federal tax purposes—no tax is due!
- The donor may exclude up to $100,000 per year with a qualified IRA charitable distribution.

For more information, just return the enclosed card or give us a call. The IRA Charitable Rollover provision is in effect for 2011 only.

CONSIDER A 2011 GIFT OF APPRECIATED STOCK

A gift of appreciated stock can be a good planning option—even in today's economic environment. Two distinct and important benefits accompany this gift:

- A tax deduction equal to the stock's full appreciated value.
- Capital gains tax avoidance on the increase in the stock's value.

How you make a gift of stock depends on how it is held.

- You could deliver the endorsed stock certificate in person, or mail the endorsed stock certificate and stock power to us in separate envelopes.
- You could electronically deliver the stock by directing your stockbroker or banker to move the stock to our account. This could likely be done very simply through the Depositor Trust Company (DTC).

If you are considering giving stock to the Zeta Beta Tau Foundation, please contact us. We can provide our specific information and account number to make it easy to complete your gift.

Good News for Taxpayers

Despite the fact that new rules create some long-term uncertainty, the current tax changes are good news for taxpayers. We are extremely grateful to our supporters who make the Zeta Beta Tau Foundation mission possible, and we are committed to helping everyone on our team understand the options available for meeting long-term planning and philanthropic goals. Please let us know if we can provide information or assistance as you consider ways to help us make a difference. Just call, send an email, or return the enclosed card. Be sure to request our complimentary brochure, the 2011 *Taxpayer's Home Companion*. As always, thank you for your interest and consideration.

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