



IRS Indexed Figures for 2011

Tax Benefit	2010	2011
Adoption Credit		
This refundable credit starts to phase out at \$185,210 of modified adjusted gross income (AGI) levels, and is completely phased out when modified AGI reaches \$225,210.	\$13,170	\$13,360
Adoption Credit through Section 125 Cafeteria Plan A participant may take the exclusion from income and the tax credit if enough expenses are incurred to support both platforms.	\$13,170	\$13,360
Commuter Accounts		
Parking – Monthly limit	\$230	\$230
Transit and vanpooling – Monthly limits (previous legislation expires 12/31/2010)	\$230	\$120
Health Savings Account (HSA) – Minimum deductible amounts for the qualifying high-deductible health plan (HDHP)		
Individual coverage	\$1,200	\$1,200
Family coverage	\$2,400	\$2,400
Maximum contribution levels		
Individual coverage	\$3,050	\$3,050
Family coverage	\$6,150	\$6,150
Catch up contribution allowed for those 55 and over	\$1,000	\$1,000
Maximums for HDHP out-of-pocket expenses		
Individual coverage	\$5,950	\$5,950
Family Coverage	\$11,900	\$11,900
Long-Term Care		
For a qualified long-term care insurance policy, the maximum non-taxable per-diem	\$290 per day	\$300 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 current child and dependent care tax credits are scheduled to sunset on December 31, 2010. Besides the dependent care FSA that is included in most cafeteria plans, there is a federal child and dependent care tax credit. One of the Bush tax cuts included an increase in the expenses that can be taken into consideration for the tax credit, beginning January 1, 2003. Following is a table showing the changes in the amount of employment-related child care expenses that can be taken into account for the child and dependent care tax credit:

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	2002 and earlier	2003 - 2010	2011 and later
One child	\$2,400	\$3,000	\$2,400
Two or more children	\$4,800	\$6,000	\$4,800

Without Congressional action, the amounts revert back to the pre-2003 levels at the end of 2010.

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 2011, the Social Security wage base will remain at \$106,800. The tax rate for employee withholdings remains at 7.65%. The Social Security rate of 6.2% is applied to wages up to the maximum taxable amount for the year; 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.

	2009	2010	2011
Highly Compensated Employee	\$110,000	\$110,000	\$110,000
Top Paid Group of 20%	\$110,000	\$110,000	\$110,000
Key Employee, Officer	\$160,000	\$160,000	\$160,000

401(k) Plans

The maximum for elective deferrals will remain at \$16,500 for 2011. And for those 50 or older, the catch-up contribution rate will also remain the same as it was in 2010 at \$5,500 for 2011.

2011 Standard Mileage Rates

The mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes have changed for the 2011 calendar year.

Beginning January 1, 2011, the standard mileage rates for the use of a car (including vans, pickups or panel trucks) is:

- 51 cents per mile for business miles driven.
 - 19 cents per mile for medical or moving purposes.
 - 14 cents per mile driven in service of charitable organizations.
- (The rate for charitable purposes is set by law and remains unchanged for 2011.)

The new rate for business miles compares to a rate of 50 cents for 2010. The medical and moving rate was 16.5 cents in 2010.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. ◊

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