

Today the Internal Revenue Service announced cost-of-living adjustments that affects limitations for pension plans and other retirement-related items for Tax Year 2012. What this means to you: Larger income tax deductions!



Here are some highlights:

- The limit for employees who participate in 401(k), 403(b), and most 457 plans is increasing from \$16,500 to \$17,000 per year.
- The catch-up contribution limit for those age 50 and over remains unchanged at \$5,500 per year.
- The deduction for contributions to an Individual Retirement Account (IRA) is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$58,000 and \$68,000, up from \$56,000 and \$66,000 in 2011. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$92,000 to \$112,000, up from \$90,000 to \$110,000. For a person who is not covered by a workplace retirement plan and is married to someone who is covered, the IRA deduction is phased out if the couple's income is between \$173,000 and \$183,000, up from \$169,000 and \$179,000.
- The phase-out range for taxpayers making contributions to a Roth IRA is an AGI from \$173,000 to \$183,000 for married couples filing jointly, up from \$169,000 to \$179,000 in 2011. For singles and heads of household, the income phase-out range is \$110,000 to \$125,000, up from \$107,000 to \$122,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains \$0 to \$10,000.
- The limit for the saver's credit (also known as the retirement savings contributions credit) for low-and moderate-income workers is an AGI of \$57,500 for married couples filing jointly, up from \$56,500 in 2011; an AGI of \$43,125 for heads of household, up from \$42,375; and an AGI \$28,750 for married individuals filing separately and for singles, up from \$28,250.

Are you saving enough for your retirement? Do you need more tax deductions?