

Tax Planning & Reference Guide

PROVIDED BY

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2011



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■ 2011 Income Tax Rates*

Single Individuals

Taxable Income:		Your Tax is:		
Above	To	Tax	Rate on Excess	
\$ 0	\$ 8,500	10% of taxable income	N/A	
8,500	34,500	\$ 850 plus	15% over	\$ 8,500
34,500	83,600	4,750 plus	25% over	34,500
83,600	174,400	17,025 plus	28% over	83,600
174,400	379,150	42,449 plus	33% over	174,400
379,150	—	110,016.50 plus	35% over	379,150

Married Filing Jointly

Taxable Income:		Your Tax is:		
Above	To	Tax	Rate on Excess	
\$ 0	\$ 17,000	10% of taxable income	N/A	
17,000	69,000	\$ 1,700 plus	15% over	\$ 17,000
69,000	139,350	9,500 plus	25% over	69,000
139,350	212,300	27,087.50 plus	28% over	139,350
212,300	379,150	47,513.50 plus	33% over	212,300
379,150	—	102,574 plus	35% over	379,150

Married Filing Separately

Taxable Income:		Your Tax is:		
Above	To	Tax	Rate on Excess	
\$ 0	\$ 8,500	10% of taxable income	N/A	
8,500	34,500	\$ 850 plus	15% over	\$ 8,500
34,500	69,675	4,750 plus	25% over	34,500
69,675	106,150	13,543.75 plus	28% over	69,675
106,150	189,575	23,756.75 plus	33% over	106,150
189,575	—	51,287 plus	35% over	189,575

*Current rates have been extended through 2012 as a result of the 2010 Tax Relief Act

■ 2011 Income Tax Rates*

Head of Household

Taxable Income:		Your Tax is:		
Above	To	Tax	Rate on Excess	
\$ 0	\$ 12,150	10% of taxable income	N/A	
12,150	46,250	\$ 1,215 plus	15% over	\$ 12,150
46,250	119,400	6,330 plus	25% over	46,250
119,400	193,350	24,617.50 plus	28% over	119,400
193,350	379,150	45,323.50 plus	33% over	193,350
379,150	—	106,637.50 plus	35% over	379,150

Trusts and Estates

Taxable Income:		Your Tax is:		
Above	To	Tax	Rate on Excess	
\$ 0	\$ 2,300	15% of taxable income	N/A	
2,300	5,450	\$ 345 plus	25% over	\$ 2,300
5,450	8,300	1,132.50 plus	28% over	5,450
8,300	11,350	1,930.50 plus	33% over	8,300
11,350	—	2,937 plus	35% over	11,350

Corporate**

Taxable Income:		Your Tax is:		
Above	To	Tax	Rate on Excess	
\$ 0	\$ 50,000	15% of taxable income	N/A	
50,000	75,000	\$ 7,500 plus	25% over	\$ 50,000
75,000	100,000	13,750 plus	34% over	75,000
100,000	335,000	22,250 plus	39% over	100,000
335,000	10,000,000	113,900 plus	34% over	335,000
10,000,000	15,000,000	3,400,000 plus	35% over	10,000,000
15,000,000	18,333,333	5,150,000 plus	38% over	15,000,000
18,333,333	—	35%	—	

** For domestic corporations other than qualified personal service corporations.

A qualified personal service corporation [as defined in Code Sec. 448(d)(2)] is taxed at a flat 35% of its taxable income.

*Current rates have been extended through 2012 as a result of the 2010 Tax Relief Act

■ Maximum Long-Term Capital Gain Tax

IF your net capital gain ¹ is from:	THEN your 2011 capital gain rate is:
Other gain ² (ie. stocks, bonds, etc), and the regular tax rate that would apply is above 15%	15% ³
Other gain, and the regular tax rate that would apply is 15% or lower	0% ³
Collectibles gain	28%
Gain on qualified small business stock after the section 1202 exclusion	28%
Unrecaptured section 1250 gain	25%

1. "Net Capital Gain" is the amount by which your net long-term capital gain for the year is more than your net short-term capital loss.
2. "Other Gain" means any gain that is not collectibles gain, gain on qualified small business stock, or unrecaptured section 1250 gain.
3. Current rates have been extended through 2012 as a result of the 2010 Tax Relief Act.

■ Qualified Dividend Income Tax Rates

Generally, in 2011 certain dividends (defined as those received from domestic and qualified foreign corporations, with some exceptions - *consult your investment and tax advisor to determine which dividends qualify*) will be taxed at a maximum rate of 15% for taxpayers in the 25% or higher bracket and at 0% for taxpayers in the 15% or lower bracket, subject to specific limitations. For example, the stock on which the dividend is paid must be held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. (For certain preferred dividends, the stock must be held for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date.) Please note: Any amount that the taxpayer elects to treat as investment income to support an investment interest deduction (e.g., margin interest) is not considered qualified dividend income. Current rates have been extended through 2012 as a result of the 2010 Tax Relief Act.

■ Standard Deductions & Personal Exemption

Standard Deductions*	2011
Single	\$5,800
Head of Household	\$8,500
Married filing separately	\$5,800
Married filing jointly	\$11,600
Personal Exemption	\$3,700

*Increased standard deductions are available for taxpayers who are age 65 and older and for taxpayers who are blind

■ Self-Employment Tax

For 2011, a tax is imposed on self-employed people at a rate of 13.30% which is a combination of a 10.40% Old Age, Survivors, and Disability Insurance tax (OASDI, the equivalent of the Social Security tax) and a 2.90% Medicare tax. For 2011, the OASDI rate is 2% lower than 2010 as a result of the 2010 Tax Relief Act.

For 2011, the 10.40% OASDI tax is computed on the first \$106,800 of self-employment income. Thus, the maximum OASDI tax for 2011 is \$11,107.20 (10.40% of \$106,800). The 2.90% Medicare tax is computed on the entire self-employment income (no ceiling).

■ FICA (Social Security & Medicare) Tax

For 2011, employees pay a 5.65% tax on their compensation for FICA which is a combination of the 4.20% Social Security tax plus the 1.45% Medicare tax. For 2011, the Social Security tax rate is 2% lower than 2010 as a result of the 2010 Tax Relief Act.

For 2011, the 4.20% Social Security tax is computed on the first \$106,800 of the employee's wages. Thus, the maximum Social Security tax for 2011 is \$4,485.60 (4.20% of \$106,800). The 1.45% Medicare tax is computed on the employee's total wages (no ceiling).

■ Social Security Annual Earnings Limits

Individuals are eligible to receive permanently reduced Social Security retirement benefits between age 62 and their applicable full retirement age.

Retirement benefits may be reduced in years that an individual's earned income exceeds annual earning limits until the individual reaches full retirement age.

For those receiving benefits before their full retirement age, \$1 in benefits will be deducted for each \$2 earned above the annual limit. In 2011, this limit is \$14,160. In the year that full retirement age is reached, \$1 in benefits will be deducted for each \$3 earned above the 2011 limit of \$37,680. However, this limit applies only to the months prior to the month in which full retirement age is reached. After full retirement age is attained, full benefits can be received with no limit on earnings.

Social Security Full Retirement Age	Year of Birth*	Social Security Full Retirement Age for Surviving Spouse
66	1945-54	66
66 and 2 months	1955	66
66 and 4 months	1956	66
66 and 6 months	1957	66 and 2 months
66 and 8 months	1958	66 and 4 months
66 and 10 months	1959	66 and 6 months
67	1960	66 and 8 months
67	1961	66 and 10 months
67	1962 and after	67

*Individuals born on January 1 of any year should refer to the full retirement age for the previous year.

■ 2011 Required Minimum Distribution Rules

Individuals over age 70 ½ generally must take Required Minimum Distributions (RMDs) from IRAs and qualified plans in 2011. The tax law does allow taxpayers age 70 ½ and older to transfer up to \$100,000 directly from their IRA to a qualified charity. This direct transfer to charity would be treated as satisfying the RMD (up to \$100,000) without resulting in taxable income to the IRA owner. The allowance for a direct transfer to charity has been extended through 2011 as a result of the 2010 Tax Relief Act.

■ Traditional IRA & Roth IRA Contributions Limits

Year	Maximum Contribution*	Catch-Up Age 50+
2011	\$5,000 (will continue to index after 2011)	\$1,000

*The maximum contribution amount equals the lesser of \$5,000 or total earned income.

■ Traditional IRA Contribution Phase-Out

If You ARE Covered by a Retirement Plan at Work			
Your Filing Status is	Full Deduction if Modified AGI is	Modified AGI Phase-Out Range*	No Deduction if Modified AGI is
Single or Head of Household	\$56,000 or less	Between \$56,000 and \$66,000	\$66,000 or more
Married Filing Jointly or Qualifying Widow(er)	\$90,000 or less	Between \$90,000 and \$110,000	\$110,000 or more
Married Filing Separately	\$0	Between \$0 and \$10,000	\$10,000 or more

If You ARE NOT Covered by a Retirement Plan at Work			
Your Filing Status is	Full Deduction if Modified AGI is	Modified AGI Phase-Out Range*	No Deduction if Modified AGI is
Single, Head of Household or Qualifying Widow(er)	Any Amount	N/A	N/A
Married Filing Jointly or Separately with a spouse who is not covered by a plan at work**	Any Amount	N/A	N/A
Married Filing Jointly with a spouse who is covered by a plan at work**	\$169,000 or less	Between \$169,000 and \$179,000	\$179,000 or more
Married Filing Separately with a spouse who is covered by a plan at work	\$0	Between \$0 and \$10,000	\$10,000 or more

*If the individual's modified Adjusted Gross Income (AGI) for a taxable year is in the phase-out range, the maximum deduction for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200.

** Spousal IRA Contribution - Deductibility is controlled by status of spouse with earned income/greater earned income

■ Roth IRA Contribution Phase-Out

Your Filing Status is	Full Contribution if Modified AGI is	Modified AGI Phase-Out Range*	No Contribution if Modified AGI is
Single or Head of Household	\$107,000 or less	Between \$107,000 and \$122,000	\$122,000 or more
Married Filing Jointly or Qualifying Widow(er)	\$169,000 or less	Between \$169,000 and \$179,000	\$179,000 or more
Married Filing Separately	\$0	Between \$0 and \$10,000	\$10,000 or more

*If the individual's modified Adjusted Gross Income (AGI) for a taxable year is in the phase-out range, the maximum regular contribution for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200.

■ Traditional IRA to Roth IRA Conversion

- Beginning in 2010, the modified Adjusted Gross Income (AGI) limitation of \$100,000 on conversions of IRA and qualified plan balances was eliminated and everyone with access to their funds qualifies to convert available IRA and qualified plan assets to a ROTH IRA.
- Any amount in a SEP or Simple IRA may also be converted to a Roth IRA, but a conversion from a Simple IRA may be made only after the 2-year period beginning on the date on which the individual first participated in any Simple IRA maintained by the individual's employer.
- The conversion is subject to income tax (reported on Form 8606) but is not subject to the 10% premature distribution tax.
- For Roth Conversions in 2011 and subsequent years, conversion income will be recognized in the tax year the conversion takes place.

■ Employer-sponsored Retirement Plans

401(k)*, 403(b), 457 Salary Deferral Limits

Year	Maximum Employee Deferral	Catch-up Age 50+
2011	\$16,500 (will continue to index after 2011)	\$5,500

*Includes "solo" and "safe harbor" 401(k)s
Maximum combined employee/employer contribution remains \$49,000; \$54,500 with a catch-up contribution

SIMPLE IRA Deferral Limits

Year	Maximum Deferral	Catch-up Age 50+
2011	\$11,500 (will continue to index after 2011)	\$2,500

Employers generally must either match employee contribution dollar for dollar up to 3% of the employee's compensation or make a contribution of 2% of compensation for all eligible employees, whether participating or not.*

■ SEP-IRA Plans

- The 2011 maximum contribution limit is the lesser of 25% of compensation* or \$49,000.
- Minimum compensation for plan eligibility is \$550 in 2011.
- Contributions may be made into a SEP plan through the filing date of employer's tax return, including extension date.

*Compensation is limited to \$245,000 in 2011.

■ Education Funding

Source of Funding	Benefit	Annual Limits	Qualified Expenses
Coverdell Education Savings Accounts²	- Earnings are not taxed - Tax-free withdrawals of qualified expenses	Maximum 2011 contribution is \$2,000 (generally contributions may be made until beneficiary turns 18)	- Tuition & mandatory fees - Books, supplies, equipment - Room & board if at least half-time student - Payments to 529 Plans
529 College Savings Plans	- Earnings are not taxed - Tax-free withdrawals of qualified expenses - Possible state income tax deduction	Maximum contribution is determined by each state's plan. ¹ VA: \$350,000; NC: \$382,032	- Tuition & mandatory fees - Books, supplies, equipment - Room & board if at least half-time student
Traditional, Roth, SEP, and SIMPLE IRAs²	No 10% premature distribution penalty tax if used for qualifying expenses	N/A	- Tuition & mandatory fees - Books, supplies, equipment - Room & board if at least half-time student
Education Savings Bond Program²	Interest used for qualified expenses is not taxed	N/A	- Tuition & mandatory fees - Payments to 529 Plans & Coverdell ESAs
Student Loan Interest	Interest is tax deductible	Maximum deduction is \$2,500 per year	- Tuition & mandatory fees - Books, supplies, equipment - Room & board - Transportation - Other necessary expenses
Hope Scholarship Credit/American Opportunity Credit⁶	Credits directly offset the amount of Federal tax due	Maximum credit is \$2,500 per student	Tuition & mandatory fees Books, supplies, equipment
Lifetime Learning Credit		Maximum credit is \$2,000 per family	Tuition & mandatory fees
Qualified Higher Education Expenses	Expenses are tax deductible	Maximum deduction is \$4,000 ⁵	Tuition & mandatory fees

1. Contributions are subject to federal gift tax rules.
2. Any nontaxable withdrawal is limited to the amount that does not exceed qualifying educational expenses.
3. Phaseouts exist at the time of contribution. They are not relevant for withdrawals.
4. Under the 2010 Tax Relief Act, some rules will change after 2012 unless extended by Congress.
5. Through December 31, 2011, individuals with AGI less than \$65,000 (\$130,000 joint) can take a maximum deduction of \$4,000 and individuals with AGI between \$65,000 and \$80,000 (\$130,000 and \$160,000 joint) can take a maximum deduction of \$2,000.
6. Temporary expansions are extended through 2012 by the 2010 Tax Relief Act.

■ Kiddie Tax

The Kiddie Tax rules apply to the unearned income of dependent individuals under age 19 and all dependent, full-time students under age 24. In 2011, the child's first \$950 of unearned income is not taxed. The next \$950 of unearned income is taxed at the child's tax rate, and the excess of the child's unearned income is taxed at the parents' highest tax rate.

Source of Funding	Qualified Education	Other Conditions	Income Phase-Out
Coverdell Education Savings Accounts²	Grades K-12 ⁴ and all undergraduate and graduate	- Can contribute to Coverdell ESA and 529 Plan in the same year - Must withdraw assets by age 30	Single: \$95,000 - \$110,000 Joint: \$190,000 - \$220,000
529 College Savings Plans	All undergraduate and graduate	- Distribution is excluded from gross income - Hope and Lifetime Learning Credit are permitted in the same year but not for the same expenses	No phaseout
Traditional, Roth, SEP, SIMPLE IRAs²		N/A	No phaseout ³
Education Savings Bond Program²		Applies only to qualified series EE bonds issued after 1989 and all series I bonds	Single: \$71,100 - \$86,100 Joint: \$106,650 - \$136,650
Student Loan Interest		Must have been at least half-time student in a degree program	Single: \$60,000 - \$75,000 Joint: \$120,000 - \$150,000
Hope Scholarship Credit/American Opportunity Credit⁶	1st 4 years of undergraduate	- Can be claimed only for 4 years - Must be enrolled at least half-time in a degree program	Single: \$80,000 - \$90,000 Joint: \$160,000 - \$180,000
Lifetime Learning Credit	All post-secondary education when Hope credit is unavailable	N/A	Single: \$51,000 - \$61,000 Joint: \$102,000 - \$122,000
Qualified Higher Education Expenses	Post-secondary education	Cannot claim Hope or Lifetime Learning Credit in the same year for the same student	Single: \$65,000 - \$61,000 Joint: \$130,000 - \$160,000
See footnotes on page 7			

■ Annual Gift Tax Exclusion

The annual gift tax exclusion for 2011 is \$13,000. Direct payment of educational or medical costs does not apply against the annual gift tax exclusion.

There is a special provision that allows a contributor to accelerate five years of gifting when funding a 529 College Savings Plan on behalf of a beneficiary. For example, an individual currently may contribute as much as \$65,000 (\$130,000 for a married couple) in a given year to a 529 Plan, instead of waiting to contribute \$13,000 in each of five years. This uses the individual's annual gifting exclusion to that beneficiary for five years.

■ Gift & Estate Taxes

The estate tax is imposed on the decedent's taxable estate (gross estate less deductions). The gift tax is based on the cumulative value of current and prior gifts (after a specified exclusion). For individuals dying and gifts made after 12/31/2010, the unified gift and estate tax rate schedule is as follows:

2011 Unified Rate Schedule			
(A)	(B)	(C)	(D)
<u>Amount subject to tentative tax</u>		Tax on amount in column A	Tax Rate on excess over amounts in column A
exceeding	not exceeding		
\$ 0	\$ 10,000	\$ 0	18%
10,000	20,000	1,800	20%
20,000	40,000	3,800	22%
40,000	60,000	8,200	24%
60,000	80,000	13,000	26%
80,000	100,000	18,200	28%
100,000	150,000	23,800	30%
150,000	250,000	38,800	32%
250,000	500,000	70,800	34%
500,000	—	155,800	35%

For gifts made in 2011, the annual exclusion amount is \$13,000. For larger “taxable” gifts made during 2011, the credit against the gift tax imposed on U.S. citizens or residents effectively exempts the first \$5 million of cumulative transfers from federal gift and Generation Skipping Taxes (GST). Assets gifted have a “carry-over” cost basis equal to the lower of the original owner's basis or the market value on the date of the gift.

The credit for estates of individuals dying in 2011 effectively exempts \$5 million from estate and generation skipping taxation. Assets in an estate acquire a cost basis equal to the value on the date of estate valuation, often referred to as a “stepped-up” basis.

For taxable gifts made during 2010, the gift and GST credit was \$1 million and the gift tax rate was 35%. For individuals dying during 2010 the tax rates are presented above and the estate and GST credit was \$5 million, with a “stepped-up” cost basis, unless the estate specifically elects no federal estate tax and a “carry-over” cost basis with limited step-up.

■ Long-Term Care Premium Deduction

Self-employed individuals – including sole proprietors, partners, and more than 2% shareholders of S corporations – may deduct, as a business expense, up to 100% of eligible premiums paid for qualified long-term care plans. Such payments are not imputed income to the insured. Individual taxpayers who itemize deductions may be able to deduct the lesser of the actual long-term care premiums paid or the eligible long-term care premium amounts listed below as part of total medical expenses. This deduction is subject to age-based limits, which are adjusted annually based on increases in the medical care component of the Consumer Price Index.

Premium Deduction Age Limits	2011
40 or younger	\$330
41 - 50	\$640
51 - 60	\$1,270
61 - 70	\$3,390
71 and older	\$4,240

Generally, a C corporation may deduct, as a business expense, all qualified long-term care premiums paid for employees, their spouses and dependents without application of the above age limits. Such payments are not included as imputed income to the insured; these benefits may be offered to select individuals and do not have to be made available to all employees. Benefits paid by the insurance company to an insured are tax-free under all circumstances.

■ Taxable Equivalent Yields

Federal Income Tax Bracket	Tax-Free Yield (%)										
	1.00	1.50	2.00	2.50	3.00	3.50	4.00	4.50	5.00	5.50	6.00
	Taxable-Equivalent Yield (%)										
10%	1.11	1.67	2.22	2.78	3.33	3.89	4.44	5.00	5.56	6.11	6.67
15%	1.18	1.76	2.35	2.94	3.53	4.12	4.71	5.29	5.88	6.47	7.06
25%	1.33	2.00	2.67	3.33	4.00	4.67	5.33	6.00	6.67	7.33	8.00
28%	1.39	2.08	2.78	3.47	4.17	4.86	5.56	6.25	6.94	7.64	8.33
33%	1.49	2.24	2.99	3.73	4.48	5.22	5.97	6.72	7.46	8.21	8.96
35%	1.54	2.31	3.08	3.85	4.62	5.38	6.15	6.92	7.69	8.46	9.23

An individual in the 35% bracket would have to purchase a taxable investment yielding more than 7.69% to outperform a 5% tax-free investment.

The information contained herein has been compiled from a variety of publicly available documents and web sites believed to be reliable; however, there is no guarantee as to its accuracy or completeness. All information provided is of a general nature and is not intended to address the circumstances of any particular individual or entity. Davenport & Company does not provide tax or legal advice; please consult your own professional for guidance on these matters.

■ Additional Highlights of the 2010 Tax Relief Act not addressed within this publication

Marriage Penalty Relief:

- ❖ The Standard Deduction in place for 2010 for married couples filing jointly (equal to twice the deduction for a single filer or married – filing separately) has been extended.

2010 and 2011 Alternative Minimum Tax (AMT) “patch”:

- ❖ The AMT exemption has been set to reduce the number of tax filers who will be impacted by an AMT tax liability during 2010-2011.

Tax free IRA payments made directly to charity for 2010 and 2011:

- ❖ Direct tax free IRA distributions to charity (for individuals age 70 1/2 and older, not to exceed \$100,000) have been reinstated for 2010 and 2011. Due to the timing of the new law, the regulations include a provision to allow "2010 distributions" to be made until January 31 of 2011 and applied to the taxpayer's 2010 federal income tax return.
- ❖ Note: Guidance from the IRS is not currently available as to the application of this provision.

2010 and 2011 Relief from loss of Itemized Deductions and Personal Exemptions:

- ❖ High income taxpayers will not lose any of their itemized deductions or personal exemptions in 2010 and 2011 based on Adjusted Gross Income (AGI) limits.

Delayed Tax Filing for 2010 Returns:

- ❖ Due to the timing of the 2010 Tax Relief Act and the resulting need to reprogram IRS computers, the IRS will not accept tax returns from taxpayers itemizing deductions or deducting teacher's supplies or college tuition before mid-February at the earliest.