

U.S. TAXPAYER'S HOME COMPANION FOR 2011 RETURNS DUE IN APRIL 2012



This publication of the Oxford University North American Office is designed to help you and your advisor(s) identify and organize key information that will be helpful in completing your tax return. Be sure to consult your tax and financial advisors when considering any planned gift.

Standard Deduction

Amount. The standard deduction is a flat amount that a taxpayer may deduct in lieu of itemizing deductions. The 2011 standard deduction amount for each taxpayer category is:

TAXPAYER STATUS	STANDARD DEDUCTION
Single	\$5,800
Married filing jointly	\$11,600
Head of household	\$8,500
Married filing separately	\$5,800

Age 65 or Blind. Taxpayers who are age 65 or over, or who are blind, may take an additional standard deduction of \$1,150 if married, or \$1,450 if single, provided they do not itemize.

Dependents. Taxpayers (usually children) who are claimed as dependents on another's (usually parents') tax return may only take a standard deduction of the greater of (1) \$950 or (2) \$300 plus earned income (up to the regular standard deduction amount).

Itemized Deductions

Interest Expense. Most personal interest paid is not deductible, with certain important exceptions shown below:

DEDUCTIBLE

1. Mortgage interest on up to two residences
2. Points on home mortgages
3. Home equity loan interest up to \$100,000 of indebtedness
4. Business interest
5. Investment interest up to net investment income
6. Qualified education loan interest up to \$2,500 (deducted above-the-line; subject to phaseout for higher income earners)

NOT DEDUCTIBLE

1. Auto loan interest
2. Credit card interest
3. Most other consumer loan interest
4. Prepaid interest other than points on home mortgages

State and Local Taxes. Itemizers may deduct either state and local income taxes *or* state and local sales tax. Also, itemizers may deduct state and local real property taxes and personal property taxes. However, taxpayers may not deduct state and local taxes in calculating the AMT unless they are deductible in computing adjusted gross income ("above-the-line" deductions, not itemized).

Medical and Dental Expenses. Expenses paid for nearly all medical, dental and vision care during the year, and not reimbursed by insurance or other means, are deductible by itemizers to the extent that the total of such expenses exceeds 7.5% of AGI.

Losses. Individuals can deduct three basic types of losses: 1) business losses incurred in the taxpayer's unincorporated business, 2) investment losses if the investment was originally motivated by profit, and 3) casualty and theft losses, but each separate loss is reduced by \$100, and the total of such losses is only deductible to the extent it exceeds 10% of AGI.

Personal Exemption

The personal exemption amount that a taxpayer may deduct for himself and each of his dependents is set at \$3,700 for 2011. For example, a husband and wife with two dependent children filing a joint tax return would claim four personal exemptions, for a total of \$14,800. A taxpayer (usually a child) cannot claim a personal exemption if he or she can be claimed as a dependent by another (usually a parent).

Capital Gains and Dividends

Maximum Tax Rate on Long-Term Capital Gains. The maximum tax rate on net long-term capital gains for individual taxpayers is 15% (0% for taxpayers in the 15% or 10% tax bracket).

Holding Period. The long-term rate generally applies to gains on the sale of capital assets held for more than one year.

Short-Term Capital Gains. Net short-term capital gains (on sales of capital assets held for one year or less) are taxed at ordinary income rates.

Collectibles. Long-term capital gain from the sale of collectibles (antiques, artwork, etc.) is taxed at a top rate of 28%.

Capital Losses. After capital gains and losses are netted against one another, any remaining net capital loss may be used to offset ordinary income up to \$3,000 per year. Any excess net capital loss may be carried over and used in future years.

Sale of a Principal Residence. A seller of any age who has used real property as a principal residence for at least two of the last five years can exclude from gross income up to \$250,000 (\$500,000 if married filing jointly) of gain realized on a sale.

Maximum Tax Rate on Most Corporate Dividends. The top federal income tax rate on most corporate dividends received by individual taxpayers is 15% (0% for taxpayers in the 15% or 10% tax bracket).

Alternative Minimum Tax

Taxpayers are subject to an “alternative minimum tax” (AMT) instead of the regular income tax when they have substantial “preference income.” This is income that is treated favorably under the regular income tax. Basically, the taxpayer must pay whichever tax is higher—the regular tax or the AMT.

FILING STATUS	2011 EXEMPTION
Single or head of household	\$48,450
Married filing jointly	\$74,450
Married filing separately	\$37,225

The exemption amounts are phased out for higher-income taxpayers.

AMT INCOME IN EXCESS OF EXEMPTION	AMT RATE
First \$175,000*	26%
Above \$175,000*	28%

**\$87,500 for married persons filing separately.*



2011 Tax Preparation Checklist

- Copy of 2010 tax return
- Social Security number(s)—taxpayers and dependents
- W-2 forms from all employers
- 1099-INT forms showing interest payments received
- 1099-G form showing any refund, credit, or offset of state/local taxes
- Receipts pertaining to business (if small business owner)
- 1099-DIV and 1099-R forms
- Other income receipts: rental real estate, royalties, partnerships, S corporations, trusts
- Unemployment compensation documentation
- Social Security benefits documentation
- Other pertinent documents

Documentation for Itemized Deductions

- Medical/dental expenses
- Receipts for taxes paid: state, local, real estate, personal property
- Form 1098 mortgage interest and points
- Receipts for charitable contributions and gifts
- Casualty and theft losses
- Job expenses

Helpful Online Information

The IRS website, IRS.gov, features a series of publications which provide basic information on every topic listed in this checklist, including: Your Federal Income Tax (Publication 17) and Charitable Contributions (Publication 526).

Go to www.IRS.gov/publications for a complete list of available topics.

Last Year's Tax Law Has an Impact Today

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 was a wide-ranging tax law that made some significant changes while keeping many things the same. Here are important parts of the tax law that affect the information in this brochure:

WHAT CHANGED

- New federal estate and gift tax unified credit and tax rates
- New generation skipping tax exemption amount and tax rate
- New rules for portability of the unused estate tax exclusion amount to a surviving spouse

WHAT STAYED THE SAME

- Ordinary income tax rates remain the same for 2011 and 2012
- Capital gains tax rates remain the same for 2011 and 2012
- The AMT exemption "patch" remains in place for 2011
- The deduction for state and local sales tax remains available in 2011
- The provisions that reduce availability of itemized deductions and personal exemption for high-income taxpayers remain suspended for 2011 and 2012

Be Aware that Laws Can Change

The political battle over the debt ceiling in Washington, D.C. last summer produced The Budget Control Act of 2011. An important part of this law is the formation of a bi-partisan committee to recommend deficit reduction measures in the form of lower government spending and/or revenue increases. The tax laws probably will change as a result of what the panel decides, Congress enacts and President Obama signs. Be sure you plan accordingly with the help of your tax advisors.



Deduction for Contributions to Public Charities

TYPE OF PROPERTY CONTRIBUTED	DEEMED AMOUNT OF CONTRIBUTION	PERCENTAGE LIMITATION ¹
Cash	Actual dollar amount	50%
Appreciated ordinary income property ² or appreciated short-term capital gain property ³	Donor's tax basis	50%
Appreciated long-term capital gain property ⁴		
(a) General rule	Fair market value	30%
(b) Election made to reduce amount of contribution	Donor's tax basis	50%
(c) Tangible personal property put to unrelated use by donee charity	Donor's tax basis	50%

¹ The applicable "percentage limitation" applies to the donor's contribution base which is the donor's adjusted gross income (AGI) determined without regard to any net operating loss carryback. The limitation is applied on an annual basis. Any deductible contributions that exceed the current year's limitations may be carried over and deducted in the five succeeding tax years, subject to the percentage limitations in those years.

² "Ordinary income property" is property that would produce ordinary income if sold by the individual.

³ "Short-term capital gain property" is property that would produce short-term capital gain if sold by the individual.

⁴ "Long-term capital gain property" is property that would produce long-term capital gain if sold by the individual.

Federal Estate and Gift Tax

2011 gift tax annual exclusion: \$13,000

2011 top gift and estate tax rate: 35%

2011 unified credit: \$5 million*

*Applies both to lifetime gifts and estate transfers

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Charitable Giving Options for Gifts to Public Charities

Outright Gift of Cash. Simplest of all gifts to carry out. Just transfer cash, write a check or fill out a credit card charge slip. Gift is fully deductible up to 50% of AGI with a 5-year carryover of any excess deduction.

Outright Gift of Long-Term Capital Gain Property. Also easy to carry out. Just transfer possession and any document of title to charity. Gift is fully deductible up to 30% of AGI, with a 5-year carryover provision. No capital gains tax on the appreciation.

Charitable Remainder Annuity Trust (CRAT). CRAT receives gift and pays back to donor or other beneficiary at least 5% of initial principal for life or for a period of up to 20 years. Can pay out tax-exempt income, but cannot receive subsequent contributions. No capital gains tax at the time appreciated property is transferred to the trust. Donor can deduct the present value of charity's remainder interest, subject to the 50% or 30% limitation.

Charitable Remainder Unitrust (CRUT). CRUT receives gift and pays back to donor or other beneficiary at least 5% of the annual value of the trust assets, either for life or for a period of up to 20 years. If assets go up in value, so does payout amount. Can pay out tax-exempt income, and can receive subsequent contributions. No capital gains tax when appreciated property is transferred to the trust. Donor can deduct the present value of charity's remainder interest, subject to the 50% or 30% limitation.

Charitable Lead Trust (CLT). Donor makes a gift to the CLT. The CLT pays income to a charity for a number of years or for life. When the trust term ends, the trust property either reverts back to the donor (grantor trust), or is distributed to family members (non-grantor trust). In times of low applicable federal rates, the CLT can be an effective way to minimize federal transfer taxes and benefit charity. The donor's deduction depends on the type of CLT selected.

Qualified Charitable Distribution from an IRA. Donors older than age 70½ can order a distribution directly from an IRA to a qualified charity. The distribution is not included in the donor's income, and counts towards the donor's annual required minimum distribution. A donor can give up to \$100,000 per year. Some supporting organizations and all donor advised funds are not eligible recipients. Available until the end of 2011.

Bequest. Since estate and tax laws change, it is important that you and your attorney review your will on a regular basis. A bequest to Oxford can be a specific amount, a percentage of your estate, or the full remainder of your estate after other obligations are met. Charitable bequests are deductible for federal estate tax purposes.

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Tax-Wise Tips for Making Charitable Gifts

Gifts by Check. If you write a check to a charity, the gift is complete when the check is mailed. So, as long as you mail it by December 31, you can deduct it for the year 2011, even if the charity does not cash it until 2012.

Pledges and IOUs. If you have made a pledge or given a charity your personal note, you cannot deduct this as a charitable contribution in 2011 unless you actually satisfy the pledge or pay off the note by December 31, 2011. This is true even if your IOU is payable upon demand by the charity.

Gifts of Appreciated Property. Gifts of appreciated property that would result in long-term capital gain if sold generally produce even greater benefits for you than gifts made in cash, by check, or by credit card. The reason? You can generally deduct the full value of the contributed property (subject to the 30% of AGI limitation), even the gain portion that has never been taxed.

Gifts of Loss Property. Loss property is property that would generate a tax-deductible loss if you sold it. If you gave this property to a charity you would lose your deduction for the loss in value of the property. So, sell the property, take the loss as a deduction, and use the proceeds of the sale to make your deductible charitable gift.

Gifts of Stock. A gift of stock to a charity is considered complete, and thus deductible, when the stock certificate is delivered to the charity, transferred to its brokerage account, or postmarked. Ownership of the stock certificate should be changed to the charity on the books of the corporation issuing the stock.



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