

## Phase-in of the pension tax - Details

April 12, 2011

Born after 1952	Born between Jan. 1, 1946 and Dec. 31, 1952	Born before 1946
<ul style="list-style-type: none"> <li>▪ Income taxed at 4.35 percent (4.25 percent starting Jan. 1, 2013)</li> <li>▪ Retirement income will be taxed at 4.35 percent (4.25 starting Jan. 1, 2013). “Retirement income” includes public pensions, private pensions, 401(k)s and IRAs.</li> <li>▪ Social Security will <b>NOT</b> be taxed</li> <li>▪ Personal exemption of \$3,700 per person*</li> <li>▪ Military pensions will <b>NOT</b> be taxed</li> <li>▪ When people born after 1952 turn 67, they qualify for a <b>senior income exemption</b> of \$20,000 for single filers and \$40,000 for joint filers, regardless of income source.</li> </ul> <p>IF the Social Security exemption plus the personal exemption is more than the senior income exemption, the filer takes the better of the two options.</p>	<ul style="list-style-type: none"> <li>▪ Income taxed at 4.35 percent (4.25 percent starting Jan. 1, 2013)</li> <li>▪ Retirement income up to \$20,000 for single filers and \$40,000 for joint filers will <b>NOT</b> be taxed. “Retirement income” includes public pensions, private pensions, 401(k)s and IRAs.</li> </ul> <p>Retirement income above these exemption levels will be taxed at 4.35 percent (4.25 starting Jan. 1, 2013)</p> <ul style="list-style-type: none"> <li>▪ Social Security will <b>NOT</b> be taxed</li> <li>▪ Personal exemption of \$3,700 per person*</li> <li>▪ Military pensions will <b>NOT</b> be taxed</li> <li>▪ When people born between Jan. 1, 1946 and Dec. 31, 1952 turn 67, they qualify for a <b>senior income exemption</b> of \$20,000 for a single filer and \$40,000 for joint filers, regardless of income source.</li> </ul> <p>This is ON TOP OF the exemption for Social Security and personal exemption.</p>	<ul style="list-style-type: none"> <li>▪ Income taxed at 4.35 percent (4.25 percent starting Jan. 1, 2013)</li> <li>▪ Private pensions will <b>NOT</b> be taxed if under the current exemption threshold of \$45,120 for single filers and \$90,240 for joint filers*. Public pensions will not be taxed.</li> </ul> <p>401(k)s and IRAs will be treated the same as under current law.</p> <ul style="list-style-type: none"> <li>▪ Social Security will <b>NOT</b> be taxed</li> <li>▪ Personal exemption of \$3,700 per person*</li> <li>▪ Military pensions will <b>NOT</b> be taxed</li> </ul>

\*Indexed to inflation