

As you prepare for the upcoming tax season, I thought you might find this brief rundown of 2006 tax changes useful.

- * **ADOPTION TAX CREDIT** increases to \$10,960.
- * **ESTATE TAX** top rate drops to 46% and the **ESTATE TAX EXEMPTION** amount increases to \$2 million. The **ANNUAL GIFT TAX EXCLUSION** increases to \$12,000.
- * **SECTION 179** maximum deduction increases to \$108,000. Phase-out threshold increases to \$430,000.
- * **401(k) MAXIMUM** salary deferral increases to \$15,000 (50 and older catch-up limit increases to \$5,000).
- * **SIMPLE** maximum salary deferral remains at \$10,000 but 50 and older catch-up increases to \$2,500.
- * **IRA** maximum contribution remains at \$4,000, but 50 and older catch-up increases to \$1,000.
- * **STANDARD MILEAGE RATE** for business driving changes to 44.5¢ a mile. Rate for medical and moving mileage changes to 18¢ a mile. Rate for charitable driving stays at 14¢ a mile.
- * **SOCIAL SECURITY** taxable wage limit increases to \$94,200. Retirees under age 65 can earn up to \$12,480 without losing benefits.
- * **HEALTH SAVINGS ACCOUNTS (HSAs)** allow under age 65 taxpayers with high-deductible health insurance to set aside pretax dollars that can be withdrawn tax-free for medical expenses. For 2005, the individual set-aside amount increases to \$2,700; the family amount increases to \$5,450. Those 55 or older can put an extra \$700 in an HSA.
- * **KIDDIE TAX** threshold increases to \$1,700.
- * **NANNY TAX** threshold increases to \$1,500.
- * **TAX BRACKETS**, personal exemptions, and income limitations for various tax benefits increase due to IRS inflation adjustments.