



National Tax Advisory[®]

TO: All Professional Tax Personnel
 FROM: Robin Tuttle Christian, CPA

NTA-590
 DATE: January 2, 2006

RE: Updated Adjusted Gross Income Phaseout Ranges

Background

Many of the tax law's benefits are limited to taxpayers with adjusted gross income (AGI) below a certain level. To help you keep track of the appropriate AGI phaseout ranges for your clients' situations, the following chart summarizes the more popular ones and provides the applicable statutory reference. **The limits shown are for both the 2005 and 2006 tax years unless otherwise noted.**

Description	IRC Sec(s).	See Footnotes (next page)	Adjusted Gross Income Phaseout Range		
			Joint Return	Single/Head of Household (HOH)	Married Filing Separately
Adoption credit/exclusion 2005 2006	23 and 137	1	\$159,450-\$199,450 \$164,410-\$204,410	\$159,450-\$199,450 \$164,410-\$204,410	No credit No credit
AMT exemption	55(d)	3	\$150,000-\$382,000	\$112,500-\$273,500	\$75,000-\$191,000
Child credit	24	1, 5	\$110,000-?	\$75,000-?	\$55,000-?
Coverdell Education Savings Accounts	530	1	\$190,000-\$220,000	\$95,000-\$110,000	\$95,000-\$110,000
Dependent care credit (35% reduced 1% for each \$2,000 or portion thereof AGI over amount shown; minimum credit is 20%)	21		\$15,000-\$43,000	\$15,000-\$43,000	No credit
Education loan interest deductions	221(b)(2)	1	\$105,000-\$135,000	\$50,000-\$65,000	No deduction
Elderly/disabled credit	22	4, 6	\$10,000-\$25,000	\$7,500-\$17,500	\$5,000-\$12,500
Hope Scholarship Credit 2005 2006	25A	1	\$87,000-\$107,000 \$90,000-\$110,000	\$43,000-\$53,000 \$45,000-\$55,000	No credit No credit
IRA deduction with pension coverage 2005 2006	219(g)	1, 2	\$70,000-\$80,000 \$75,000-\$85,000	\$50,000-\$60,000 \$50,000-\$60,000	\$0-\$10,000 \$0-\$10,000
IRA deduction with spouse having pension coverage	219(g)(7)	1	\$150,000-\$160,000	Not applicable	Not applicable
Itemized deduction reduction 2005 2006	68	1	\$145,950-? \$150,500-?	\$145,950-? \$150,500-?	\$72,975-? \$75,250-?

Description	IRC Sec(s).	See Footnotes	Adjusted Gross Income Phaseout Range		
			Joint Return	Single/Head of Household (HOH)	Married Filing Separately
Lifetime Learning Credit 2005 2006	25A	1	\$87,000–\$107,000 \$90,000–\$110,000	\$43,000–\$53,000 \$45,000–\$55,000	No credit No credit
Passive activity rehabilitation credit exception	469(i)	1	\$200,000–\$250,000	\$200,000–\$250,000	\$100,000–\$125,000
Passive rental loss (\$25,000) exception	469(i)	1	\$100,000–\$150,000	\$100,000–\$150,000	\$50,000–\$75,000
Personal exemptions 2005 2006	151		\$218,950–\$341,450 \$225,750–\$348,250	\$145,950–\$268,450 (single); \$182,450–\$304,950 (HOH) \$150,500–\$273,000 (single); \$188,150–\$310,650 (HOH)	\$109,475–\$170,725 \$112,875–\$174,125
Retirement contribution credit 50% credit 20% credit 10% credit	25B	1	Up to \$30,000 \$30,001–\$32,500 \$32,501–\$50,000	Up to \$15,000 (S) Up to \$22,500 (H) \$15,001–\$16,250 (S) \$22,501–\$24,375 (H) \$16,251–\$25,000 (S) \$24,376–\$37,500 (H)	Up to \$15,000 \$15,001–\$16,250 \$16,251–\$25,000
Rollover to Roth IRA	408A	1	\$100,000	\$100,000	Rollover not allowed
Roth IRA	408A	1	\$150,000–\$160,000	\$95,000–\$110,000	\$0–\$10,000
Savings bond interest exclusion 2005 2006	135	1	\$91,850–\$121,850 \$94,700–\$124,700	\$61,200–\$76,200 \$63,100–\$78,100	No exclusion No exclusion
Tuition deduction 2005 \$4,000 deduction \$2,000 deduction 2006	222	1, 7	\$130,000 \$160,000 No deduction	\$65,000 \$80,000 No deduction	No deduction No deduction No deduction

Notes:

1. Modifications to adjusted gross income apply. The modifications vary depending on the relevant Code section.
2. Increases for future years are specifically provided in the statute.
3. Phaseout applies to alternative minimum taxable income rather than AGI.
4. Married individuals filing separately can claim the credit only if they lived apart during the entire year.
5. Size of phaseout range depends on the number of qualifying children in the family.
6. Married individuals normally must file a joint return to take the credit even though a married filing separately phaseout range is shown.
7. This deduction does not apply after 2005.