



November 1, 2005

Individual Income Tax Amounts Adjusted for 2006

The Internal Revenue Service has released a number of adjustments for 2006, as a result of cost-of-living adjustments and statutory changes made by tax acts in 2001 and 2003. Some of these values relating to 2006 income taxes on individuals (for returns filed in early 2007) are as follows:

<u>Item</u>	<u>2005</u>	<u>2006</u>
Personal and dependent exemption amount	\$3,200	\$3,300
Personal exemption phase out - The personal exemption amounts are reduced by 2% for each \$2,500 (or fraction thereof; \$1,250 for married filing separately) that adjusted gross income (AGI) exceeds the following amounts:		
Married filing jointly	\$218,950	\$225,750
Head of household	182,450	188,150
Single	145,950	150,500
Married filing separately	109,475	112,875
Full phase-out occurs with additional AGI of \$122,500 or more (\$61,250 for married filing separately.)		
Personal Exemption phase-out amount "applicable fraction"	N/A	2/3
Beginning in 2006, the phase-out amount is reduced by multiplying it by the applicable fraction, working toward full repeal in 2010.		
Contribution limits for selected retirement arrangements		
401(k), 457, 403(b) plan pre-tax elective deferrals	\$14,000	\$15,000
SIMPLE account salary reductions - NO CHANGE	\$10,000	\$10,000
IRA Contribution limit - NO CHANGE	\$4,000	\$4,000
IRA deduction limit for active participants "applicable dollar amount"		
Married filing jointly	\$70,000	\$75,000
Head of household - NO CHANGE	50,000	50,000
Single - NO CHANGE	50,000	50,000
Roth IRA income limits remain unchanged		
Married filing jointly	\$160,000	
Head of household	110,000	
Single/Unmarried	110,000	
Married filing separately	10,000	
Catch-Up contributions for those age 50 and older		
The catch-up annual limit for employer plans	\$4,000	\$5,000
The catch-up annual limit for SIMPLE 401(k) and SIMPLE IRA	2,000	2,500
The catch-up annual limit for IRAs	500	1,000
Standard deduction (used by almost 2/3 of tax filers):		
Married filing jointly	\$10,000	\$10,300
Heads of household	7,300	7,550
Single / unmarried	5,000	5,150
Married filing separately	5,000	5,150

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Long-term care premiums treated as "medical care" expense and eligible for income tax deduction, subject to the following dollar amount limitations. (The overall deduction remains subject to the 7.5% adjusted gross income floor.)		
Attained age before the close of the taxable year:		
40 or less	\$270	\$280
41 to 50	510	530
51 to 60	1,020	1,060
61 to 70	2,720	2,830
More than 70	3,400	3,530

Itemized deductions limitation for high income filers

Itemized deductions are reduced dollar-for-dollar by the lesser of:

80% of itemized deductions otherwise allowable, or

3% of the amount that AGI exceeds the following amounts:

Married filing jointly	\$145,950	\$150,500
Head of household	145,950	150,500
Single / Unmarried	145,950	150,500
Married filing separately	72,975	75,250

NEW - Itemized deduction limitation "applicable fraction"

N/A

2/3

Beginning in 2006, the itemized deduction limitation is reduced by multiplying it by the applicable percentage, working toward full repeal in 2010.

Child Tax Credit can no longer (beginning in 2006) exceed the excess of regular tax and alternative minimum tax (AMT) over non-refundable personal credits and foreign tax credit.

The child tax credit may be claimed against regular tax and AMT. It remains \$1,000 for each per qualifying child, reducing \$50 for every \$1,000 that modified adjusted gross income exceeds the following limits:

Married filing jointly	\$110,000
Head of household	75,000
Single/Unmarried	75,000
Married filing separately	55,000

Social Security tax**FICA tax (on employer and employee, each)**

Medicare Hospital Insurance (HI) tax rate of 1.45% on all income remains the same.

Old-Age, Survivors and Disability Insurance (OASDI) tax rate of 6.2%

applies up to the maximum taxable earnings of: \$90,000 **\$94,200****Self employment tax**

Medicare Hospital Insurance (HI) tax rate of 2.9% on all income remains the same.

Old-Age, Survivors and Disability Insurance (OASDI) tax rate of 12.4%

applies up to the maximum taxable earnings of: \$90,000 **\$94,200****Tax rate on long-term capital gains and qualified dividends** remains 15%, but is reduced to 5% for taxpayers with taxable income up to these limits (i.e., those in the 10% and 15% tax brackets):

Married filing jointly	\$14,600	\$15,100
Head of household	10,450	10,750
Single/Unmarried	7,300	7,550
Married filing separately	7,300	7,550

Alternative Minimum Tax

AMT exemption amounts are scheduled to revert to amounts in effect in 2002. Any year-end "tax cut extenders" act will likely extend the 2005 amounts to 2006.

Married filing jointly	\$58,000	\$45,000
Single/Unmarried	40,250	33,750
Married filing separately	29,000	22,500

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Ordinary income tax rates, based on the amount of taxable income. Taxable income is equal to total income, less adjustments, less deductions, less exemptions.

Married filing jointly	Marginal Tax Rate: 10% On amounts over:	\$ 0	\$ 0
	15%	14,600	15,100
	25%	59,400	61,300
	28%	119,950	123,700
	33%	182,800	188,450
	35%	326,450	336,550
Head of household	Marginal Tax Rate: 10% On amounts over:	\$ 0	\$ 0
	15%	10,450	10,750
	25%	39,800	41,050
	28%	102,800	106,000
	33%	166,450	171,650
	35%	326,450	336,550
Single/Unmarried	Marginal Tax Rate: 10% On amounts over:	\$ 0	\$ 0
	15%	7,300	7,550
	25%	29,700	30,650
	28%	71,950	74,200
	33%	150,150	154,800
	35%	326,450	336,550
Married filing separately	Marginal Tax Rate: 10% On amounts over:	\$ 0	\$ 0
	15%	7,300	7,550
	25%	29,700	30,650
	28%	59,975	61,850
	33%	91,400	94,225
	35%	163,225	168,275
Estates and trusts	Marginal Tax Rate: 15% On amounts over:	\$ 0	\$ 0
	25%	2,000	2,050
	28%	4,700	4,850
	33%	7,150	7,400
	35%	9,750	10,050

For more information, feel free to contact Jefferson Pilot Financial Advanced Sales – Case Design consultants at 866-457-3658, Option 2, or by email at advancedsales@jpf.com. Check for updates to this document at www.myjpf.com >> Marketing >> JP Life & Annuity >> Advanced Sales. Do not use this document after April 2006.

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