

## It's a New Tax World

As outlined in our recent newsletter, the American Taxpayer Relief Act of 2012 (ATRA 2012) had an impact on all individuals, businesses, estates and trusts and all types of tax, including income, capital gains, alternative minimum tax, business, gift and estate taxes.

ATRA 2012, signed into law by President Obama on January 2, permanently extended the Bush-era tax provisions with some minor modifications. On January 11, the IRS published inflation-adjusted items for 2013 and the new income tax rate tables in effect as a result of the new law. Below is a summary of the key provisions:

	Old Law	New Law
<b>Maximum Income Tax Rate</b>	35% for \$338,350 (single & MFJ)	39.6% for amounts over \$400,000 (single), \$450,000 (MFJ), \$11,951 (trusts)
<b>Personal exemptions, AGI Threshold/Upper Limit</b>	None in 2012	MFJ \$300,000/\$422,500 Single \$250,000/\$372,500 HOH \$275,000/\$397,500 MFS \$150,000/\$211,250
<b>Standard deductions, Limit on Itemized Deductions</b>	None in 2012	MFJ \$300,000 Single \$250,000 HOH \$275,000 MFS \$150,000
<b>Alternative Minimum Tax (AMT) Exemption</b>	\$50,600 (single) \$78,750 (MFJ)	\$51,900 (single) \$80,800 (MFJ)
<b>Capital Gains Rate</b>	15% for \$35,350 (single) and \$70,700 (MFJ)	20% for amounts over \$400,000 (single), \$450,000 (MFJ), \$11,951 (trusts)
<b>Social Security Payroll Tax, Employee</b>	4.2% up to \$110,100	6.2% up to \$113,700
<b>Social Security Payroll Tax, Employer</b>	6.2% up to \$110,100	6.2% up to \$113,700
<b>New Medicare Tax on Earned Income, Employee</b>	NA	.09% for amounts over \$200,000 (single), \$250,000 (MFJ), \$125,000 MFS
<b>New Medicare Tax on Rents, Interest, Royalties, Annuities, Passive Income, Qualified Dividends, and Capital Gains</b>	NA	3.8% for AGI over \$200,000 (single), \$250,000 (MFJ), \$125,000 MFS
<b>Gift, Estate, and GST Tax Exemption (Unified)</b>	\$5,125,000	\$5,250,000
<b>Gift, Estate, and GST Tax Rates</b>	35%	37% for amounts over \$500,000 39% for amounts over \$750,000 40% for amounts over \$1M
<b>Marriage Penalty Relief</b>	Increased size of the 15% rate bracket & standard deduction for married taxpayers filing jointly.	Made permanent.
<b>Child and dependent care credit</b>	Credit to be calculated based on up to \$3,000 of expenses for one dependent or up to \$6,000 for more than one.	Made permanent.
<b>Adoption credit and adoption-assistance programs.</b>	Expanded adoption credit and adoption-assistance programs.	Made permanent.

<b>Coverdell ESA Accounts</b>	Increased limits to \$2,000	Made permanent.
<b>Section 179 Deduction</b>	Increased limits	Extended through 2013.
<b>Bonus Depreciation</b>	Additional 50% first-year bonus depreciation.	Extended thorough 2013.
<b>Credit for energy-efficient existing homes</b>		Extended thorough 2013.
<b>Credit for two- or three-wheeled plug-in electric vehicles</b>		Extended thorough 2013.
<b>Credit for energy-efficient new homes</b>		Extended thorough 2013.
<b>Credit for energy-efficient appliances</b>		Extended thorough 2013.

We prepared a more detailed summary of the 2013 financial planning limits include items such as:

- IRA contribution and deduction limits
- Roth IRA Phase-out limits
- Health Savings Accounts
- Maximum Qualified LTC Premiums
- Personal Exemptions and Standard Deductions
- Social Security and Medicare Taxes
- Education Deductions and Incentives: ESA, 529 Plans, American Opportunity Credit, Lifetime Learning Credit, Exclusion of US Savings Bond Income, and Student Loan interest Deduction
- Retirement Plan limits
- Medicare Premiums, deductibles, benefits, and co-pays (Part A, Part B, Part D)
- Saver's Credit
- 2013 Tax Rate Schedules
- 2013 Estate Tax Rate Schedules
- And more

To access the 2013 Annual Financial Planning Limits summary, click [here](#).