

1 Tax

Scott Renno, Enrolled Agent

3284 North Bend, Suite 106, Cincinnati, OH 45239

Phone: (513) 481-1TAX (1829)

Fax: (513) 481-6444

Cel: (513) 417-2893

Winter 2013

I hope everyone has had a successful 2013. The most significant tax law changes affect higher-income taxpayers. The tax bite will be especially deep for those households who make over \$200K.

Tax News

Health Insurance Mandate – In order to avoid a penalty on your 2014 and subsequent returns, you must have health insurance for at least 9 months of each year starting in 2014. Lower income taxpayers will receive a tax credit to assist with the premiums. If you will be enrolled in Medicare, Medicaid, VA benefits, CHIP, a qualified private plan, or an employer health care plan for 2014, you may not need to take any action. However, please visit www.healthcare.gov for more information.

2014 Mileage Rates – Starting January 1, 2014, the standard mileage rates are as follows:

Business/Investment – 56 ¢/mile
Medical/Moving – 23.5 ¢/mile
Charitable – 14 ¢/mile

S-Corporation and Partnership Clients - Please adjust your expense reimbursement amounts for mileage starting January 1, 2014. Note that your January paycheck for December mileage reimbursement will be at the 2013 rate of 56.5 cents/mile. As a reminder, you must maintain a timely kept log of your business miles.

Top Tax Rate Increased – Increased to 39.6% for Higher Income Taxpayers. Applies to

taxpayers with taxable income over:

Single -	\$400,000
Head of Household -	\$425,000
Married Filing Joint -	\$450,000
Married Filing Separately -	\$225,000

Exemptions and Itemized Deductions Phase-Out - applies to taxpayers with Adjusted Gross Income of:

Single -	\$250,000
Head of Household -	\$275,000
Married Filing Joint -	\$300,000
Married Filing Separately -	\$150,000

The phase-out is very gradual, so those making just over the threshold will be only minimally affected.

Medicare Surtax for Higher Income Taxpayers – An additional .9% Medicare surtax kicks in at the following earned income amounts:

Single/Head of Household -	\$200,000
Married Filing Joint -	\$250,000
Married Filing Separately -	\$125,000

Earned Income is wages and self-employment income. It does not include S-Corporation earnings and profits. Your employer should be automatically withholding this

tax once your income reaches \$200K.

Important note – the surtax for those filing Married Filing Joint is computed on combined income. Therefore, if your combined income is above the threshold, there may be additional taxes due.

New 20% Capital Gains Rate for Higher Income Taxpayers

Higher income taxpayers may be taxed at 20% for part or all of their long-term capital gains and qualified dividends. This will affect those with taxable income of:

Single -	\$183,251
Head of Household -	\$203,151
Married Filing Joint -	\$223,051
Married Filing Separately -	\$111,526

Net Investment Income Tax for Higher Income Taxpayers – This 3.8% tax may affect those with Adjusted Gross Income of:

Single -	\$200,000
Head of Household -	\$200,000
Married Filing Jointly -	\$250,000
Married Filing Separately -	\$125,000

Investment income includes Interest, Dividends, Rental Net Income (non-Real Estate Professional), Royalties, K-1 Investments, Capital Gains (non-business), and Annuities. It

does not include IRA distributions, pensions, or other employment-based retirement plans.

Excess Medical Expenses, 10% Trim – The trim for Medical expenses increased in 2013 from 7% to 10% of your Adjusted Gross Income. This will result in smaller Medical deductions.

Same-Sex Marriages – If you were legally married in a state that recognizes same-sex marriage, then you are considered married for Federal tax purposes regard-

less of your state of residence. There are special provisions for filing separate state income tax returns in states like Ohio, Kentucky, and Indiana which do not recognize same-sex marriage.

New Rules for Capital vs. Expense – Generally, repair, equipment, and rehab expenses that exceed \$200 will need to be depreciated. Note that this applies to single expenditures as well as groups of related expenditures of more than \$200. This will mainly apply to businesses and rental

property. Please review your books and records and provide me with a list of these expenditures.

FUTA Taxes for Employers – as in the past, employers in states who have not paid the Federal government back for Unemployment Assistance have to pay a FUTA surtax. The area states (OH, KY, and IN) all have credit reduction amounts. This means that there will be a balance due on all FUTA Forms 940 in January.

IRS CIRCULAR 230 Disclosure: Under U.S. Treasury Department regulations, we are required to inform you that, unless expressly indicated, any tax advice contained in this email, or any attachment hereto, is not intended or written, to be used, and may not be used to (a) avoid penalties imposed under the Internal Revenue Code (or applicable state or local tax law provisions) or (b) promote, market, or recommend to another party any tax-related matters addressed herein.

