

1 Tax

Quality Tax Preparation
Financial Counseling
IRS Representation
Tax Planning

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Highlights of the American Taxpayer Relief Act of 2012

Rates – creates an additional tax bracket of 39.5% which will affect only high-income taxpayers (over \$400K (\$450K for Married Filing Jointly)).

Alternative Minimum Tax – made 2011 levels permanent and indexed for inflation, avoids costly AMT for tens of millions of taxpayers.

Capital Gains Rates – for most taxpayers, this will stay the same. However, if you make more than \$400K (450K for Married Filing Jointly), there is a new 20% Capital Gains rate.

Itemized Deduction/Exemption Phaseout – higher income taxpayers will receive some or none of these deductions if your income is above \$250K (\$300K for Married Filing Jointly). Note that Alternative Minimum Tax in many cases eliminates many of these anyway for high-income taxpayers.

Payroll Tax Holiday Expired – starting with your first paycheck in 2013, this 2% holiday is over. Your FICA tax will return to 6.2% on the first \$113,700 of wages/self-employment income.

Restoration of Higher Small Business Expensing – Section 179 expensing of certain depreciable assets was retroactively changed to much higher 2011 levels.

2013 Net Investment Tax – for higher income taxpayers, there is a new 3.8% tax on net investment income. This applies in general to those with incomes above:

Single/Head of Household - \$200K

Married Filing Separate - \$125K

Married Filing Joint - \$250K

2013 Medicare Surcharge – for higher income taxpayers, this new .9% surcharge applies to wages/self-employment income over:

Single/Head of Household - \$200K

Married Filing Separate - \$125K

Married Filing Joint - \$250K

Education Credit/Deduction Extended – The American Opportunity Credit, Lifetime Learning Credit, and Tuition and Fees Deduction have been extended through 2013.

401(k) Participants Can Convert Plan Funds to Roth – This new rule allows you to convert part or all of your 401(k) funds into a Roth 401(k). You will have to pay Federal and state income tax on the converted funds.

We can discuss the impact to you (if any) of the tax law changes during your tax appointment.