Tax Law Insanity
Individual Tax Planning
Individual Tax Rates

- 2012
  - 10%
  - 15%
  - 25%
  - 28%
  - 33%
  - 35%

- 2013
  - 15%
  - 15%
  - 28%
  - 31%
  - 36%
  - 39.6%
Interest & Dividends

- Beginning in 2013
- Dividends: Ordinary Income Tax Rates
- 2012: May wish to redeem U.S. Savings Bonds
Long Term Capital Gains Rates

- **2012**
  - 10-15% brackets: 10%
  - Others: 15%

- **2013**
  - 15% bracket: 15%
  - Others: 20%

With Medicare Tax: 23.8%
Capital Gains Strategy

- Sell Stock: Net Losses with Gains
- Remember: $3000 net loss limit per year
- Reset Basis strategy
Payroll Holiday Ends

- Employee Social Security Rates
  - Increase
  - 4.2% to 6.2%
Alternative Minimum Tax

- AMT Patch Expired December 31, 2011

- 2011: $50,600 & $78,750

- 2012 and future: $33,750 & $45,000

- No law change: 33 million could pay AMT
Medical Expenses

- 2012: Must exceed 7.5%
- 2013: Must exceed 10%
Itemized Deductions

- 2013 Itemized Deduction Phase-outs are back

- Single $89,075; MFJ $178,150

- 2012 – Accelerate Deductions
Classroom Deduction

- $250 Deduction
- Expired December 31 2011
Residential Energy Credit

- Expired December 31, 2011
New Medicare Taxes - 2013

- **Unearned Income**: 3.8% if income exceeds
  - Single $200,000 or MFJ $250,000
  
  - Includes: Interest, Dividends, Capital Gains, Rents, Inactive Business Income

- Qualified Real Estate Professional

- **Salaries**: Additional 0.9% if salary exceeds
  - Single $200,000 or MFJ $250,000
Retirement Plans

- Traditional/Roth: $5,000/$6,000
- 2013: $5,500/$6,500

- Roth Conversion

- **Important:** Conversion must be done by December 31 2012
Retirement Plans

- **401K Plans:** $17,000/$22,500
  - **2013:** $17,500/$23,000

- **Simple Plans:** $11,500/$14,000
  - **2013:** $12,000/$14,500

- **SEP or Defined Plans:** up to 25% gross income
  - $50,000 maximum
  - **2013:** $51,000
Business Planning
Depreciation

- Section 179
- Bonus Depreciation (Section 168)
- MACRS
Section 179

- Must have Net Profit

- 2012: $139,000 with investment ceiling $560,000

- 2013: $25,000 with investment ceiling $200,000
Bonus Depreciation

- Can have a net profit or loss
- Must be new asset
- 50% of purchase
- Expires December 31 2012
Vehicles/SUV/Truck Purchases

- Under 6,000 pounds
- Bonus $8,000
- MACRS:
  - Sedans $3,160
  - Trucks/SUVs less than 6000 lb $ 3,360

Total 2012 Depreciation $11,160 or $11,360
Large Trucks & SUVs

- Large SUV – over 6,000 pounds
- Large Truck – over 6,000 pounds or 6 foot bed
- Eligible for $25,000 (Section 179)
- Eligible for 50% Bonus if new
- Eligible for MACRS
Large SUV Purchase Example

- Cost: $ 55,000
- Section 179: $25,000
- Bonus: $ 15,000
- MACRS: $3,000

- Total Depreciation for 2012: $ 43,000
NC Small Business Deduction

- Can deduct up to $50,000 from pass-through income or Schedule C & F
- Husband & Wife potentially $100,000
Don’t Forget
Business Miles 55.5 cents
Estate & Gift Tax

- 2012: Maximum Exclusion $5,120,000
- Portability: $ 5,000,000
- 2013: Maximum Exclusion $1,000,000
- 2012 Rates: 35%; 2013 Rates 55%
Talk to Your Tax Advisor