



Memorandum

To: Clients, Friends, Family & Associates of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: January 7, 2013
Re: American Tax Relief Act & Health Care Act Update For Individuals

In this memorandum you will receive information about:

- Information on increased employee portion of payroll taxes
- Information from the American Tax Relief Act for Individuals
- Information from the Health Care Act for Individuals

Please contact me should you have any questions.

Introduction

Last week I received many e-mails from clients regarding mis-truths and half-truths of Congress's recent act of passing the American Tax Relief Act and the President's signing the bill into law. The e-mails were, in some cases, 20 pages in length and were most likely sent from a source who did not read them before releasing them. One client stated, we (as a society) do not care about the accuracy of information any more, we care about the quickness to which we receive (the inaccurate) information.

We have taken our time to review the act and have summarized the major items which we believe will affect our clients. Additionally we have included information from the Health Care Act which will take effect in 2013.

Please contact your Pro@ctive CPA team should you have any questions at (770) 664-8583.

New Tax Regulations Effecting Individual Taxpayers

- Payroll Taxes for 2013
 - Your paycheck is going to get 2% smaller!
 - The employee portion of Social Security will increase to 6.2% beginning January 1, 2013 (it's 2009 amount) after being reduced the past 2 years to 4.2%
- Health Care Act
 - Net Investment Tax for 2013
 - Taxpayers will pay a 3.8% Medicare tax on investments for incomes of \$250,000 married filing jointly (MFJ) and \$200,000 for Single (S)
 - Medicare Surtax for 2013



- Taxpayers will pay a 0.9% Medicare tax on earned incomes of \$250,000 married filing jointly (MFJ) and \$200,000 for Single (S)
- Employees will have this deducted from their paycheck
 - This is a change in payroll tax philosophy from a regressive tax to more of a progressive tax
- American Tax Relief Act for 2012
 - **Individuals**
 - Alternative Minimum Tax is Permanently Fixed
 - 2012 exemption amounts have been adjusted for inflation
 - Tax rates will be permanently extended for taxpayers with income under \$450,000 for married filing jointly (MFJ) and \$400,000 for single (S)
 - A change in income is based on Adjusted Gross Income instead of the historical taxable income
 - Long-term Capital Gains Rates
 - If your income is under \$450,000 MFJ or \$400,000 S
 - 15%
 - If your income is over \$450,000 MFJ or \$400,000 S
 - 20%
 - If your income is in the lower two rates (10% and 15%)
 - 0%
 - Tax Credits
 - The following tax credits for individuals have been extended until December 31, 2017
 - Education tax credits
 - Dependent care tax credits
 - Child tax credits
 - Personal Exemptions
 - Will phase-out in 2013 for taxpayers in which income is greater than \$300,000 MFJ or \$250,000 S
 - **Retirement Distribution Planning Tip**
 - For 2012 and 2013 for taxpayers 70 ½ or older a tax-free distribution can be taken as long as the distribution is to certain public charities and the amount does not exceed \$100,000 (accumulative) per year
 - This amount is also will count towards the Required Minimum Distribution
 - **Estate Planning**
 - The state tax exemption has permanently been increased to \$5,000,000
 - The top estate income tax rate is 40%
 - This amount will be adjusted for inflation
 - **Gifting**
 - The annual gift tax exclusion has been increased to \$14,000 per individual in 2013



- We will continue to inform you of tax law and regulatory changes as information is released.

We are here to help you plan for this event! Please contact us should you desire any tax planning and/or have any questions, comments and observations.

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