A Summary of Certain Income Tax Laws Changes That May Affect You

Publication:
The February 2013 Riker Danzig Tax and Trusts & Estates Update

• Individuals earning more than $400,000 of taxable income ($450,000 for joint filers) will have their top ordinary income tax rates increase from 35% to 39.6%. All other tax brackets will remain the same.

• Taxpayers in the new 39.6% bracket will pay 20% on net long-term capital gains and dividends. The rates will remain at their current levels for those with income below the $400,000/$450,000 thresholds.

• The Social Security portion payroll tax rate will increase from 4.2% to 6.2%.

• Personal exemptions and itemized deductions will phase out starting at $250,000 of adjusted gross income for individuals ($300,000 for joint filers).

• The alternative minimum tax exemption amounts for 2013 have been set at $51,900 for individuals ($80,800 for joint filers) and will be further adjusted for inflation.
• Bonus depreciation was extended another year permitting businesses to depreciate up to 50% of certain property.

• The “charitable rollover” IRA provisions have been extended for 2012 and 2013. An individual over age 70½ can give up to $100,000 from an IRA without taking the amount into income. See page 4 of this Update for more information.

• The American Opportunity Tax Credit was extended for five years. This can mean a credit of up to $2,500 per undergraduate college student.

• Individuals earning more than $200,000 of adjusted gross investment income ($250,000 for joint filers) will pay a 3.8% surtax on that investment income. This tax is in addition to any capital gains tax paid on that investment income. (This tax is the Medicare tax that was already enacted in prior legislation).

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