



Personal Tax Rates

Most taxpayers avoided a tax increase - rates did rise for top earners. Taxpayers with taxable income greater than \$400,000 for single filers, \$425,000 for head-of-household filers, and \$450,000 for married filers, will see their top rates increase to 39.6%.

Payroll Taxes

The payroll tax holiday expired at the end of 2012 and was not extended.

Capital Gains/Dividends

Higher capital gains rates for top earners. For an individual taxpayer whose income is at or above \$400,000 (or \$450,000 for married taxpayers filing jointly) the rate for both capital gains and dividends is capped at 20% (up from 15% in 2012).

Personal Exemption

The phase-out levels for personal exemptions and itemized deductions have been raised to \$300,000 for married couples and surviving spouses, \$275,000 for head-of-households and \$250,000 for individual taxpayers.

AMT Relief

Exemption amounts for the AMT (alternative minimum tax) are now permanent and indexed for inflation, and allow the use of nonrefundable personal credits against the AMT, retroactive to January 1, 2012.

Child-Related Credits

The ACT extends permanently the \$1,000 child tax credit and the dependent care tax credit is equal to 35% of \$3,000 (\$6,000 for two or more) of eligible expenses for one qualifying child.

American Opportunity and Lifetime Learning Credits

The American Opportunity Tax Credit is extended to the end of 2017. The maximum credit is \$2,500. The Lifetime Learning Credit remains at \$2,000.

Estate and Gift Taxes

The exclusion for a decedent's estate remains at \$5 million (adjusted for inflation, \$5.12 million in 2012) and the top tax rate increases to 40% for taxpayers with income of \$400,000 (\$450,000 married filing jointly). The annual exclusion for gifts increases to \$14,000 (up from \$13,000 in 2012).

Marriage Penalty Relief

Certain taxpayers filing jointly will no longer have to worry about paying more than if they filed as single taxpayers.

Roth Retirement Plans

The new law generally allows participants in an employer-sponsored 401(k) to transfer any amount to a Roth 401(k) - the funds will be taxed upon conversion.

Some (not all) - **Highlights for Business**

The ACT extends through 2013, retroactive to January 1, 2012, the \$500,000 dollar limitation and phase-out threshold of \$2 million of the cost of Sec. 179 property placed in service during the tax year that had been effect in 2010 and 2011.

Many business tax benefits that had expired or were set to expire were extended through 2013, including:

- The 50% bonus depreciation
- The Section 41 research tax credit
- The Work Opportunity Tax Credit for hiring veterans and other individuals who meet specific criteria
- The 100% exclusion for gains on a sale of qualified small business stock
- Reduced recognition period for S corporation built-in gains tax.

Questions?

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