

Beyond the Fiscal Cliff

The good and the bad.



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Presented By
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Today's Presenter



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American Taxpayer Relief Act 2012

**Don't let the tax tail
wag the economic dog!**



“Thanks to Congress for keeping its wayward members off roads & out of bars on New Year's.”

“The morning after, as so often happens, there were regrets.”

“Scanned entire fiscal cliff bill for best tax breaks. Algae and economic development of American Samoa.”





PAYROLL TAX HOLIDAY

39.6 % TAX BRACKET

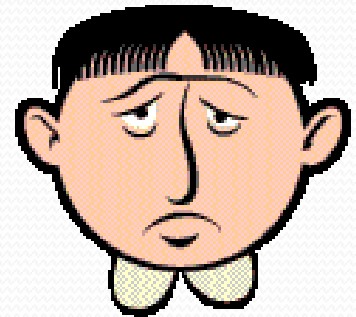
SINGLE	\$400,000
MARRIED FILING JOINT	\$450,000
HEAD OF HOUSEHOLD	\$425,000
MARRIED FILING SEPARATELY	\$225,000



CAPITAL GAINS & DIVIDENDS

20%

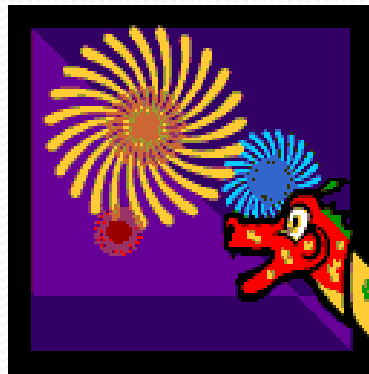
- SAME THRESHOLDS AS 39.6% RATE
- REMEMBER 3.8% NII
- CONSIDER ELECTING OUT OF INSTALLMENT SALE
- RECAPTURE RATES REMAIN



ESTATES AND TRUSTS DO NOT ESCAPE



AMT PERMANENTLY INDEXED FOR INFLATION NONREFUNDABLE CREDITS CAN BE USED AGAINST AMT



PEASE LIMITATION ITEMIZED DEDUCTION PHASE-OUT

- **\$300,000 MFJ, \$250,000 SINGLE**
- **MEDICAL EXPENSE, INVESTMENT INTEREST, CASUALTY LOSSES AND WAGERING LOSSES EXCLUDED**
- **CHARITABLE DONATIONS NOT EXCLUDED**
- **UP TO 80% CAN BE PHASED-OUT**
- **3% OF AGI (\$250,000 SINGLE \$300,000 MFJ)**

PERSONAL EXEMPTION PHASE-OUT

2% FOR EACH \$2,500



IN-SERVICE CONVERSION TO ROTH 401(k) REGARDLESS OF AGE



IRA DISTRIBUTIONS TO CHARITY

- QUALIFYING DISTRIBUTIONS MADE IN JANUARY 2013 CAN BE TREATED AS MADE ON DECEMBER 31, 2012



IRA DISTRIBUTIONS TO CHARITY

- **ANY PORTION OF A DISTRIBUTION MADE IN DECEMBER 2012 MAY BE TREATED AS A QUALIFIED CHARITABLE DISTRIBUTION TO THE EXTENT THAT SUCH PORTION IS TRANSFERRED AFTER THE DISTRIBUTION IN CASH DURING JANUARY 2013 TO A QUALIFIED CHARITY, AND THE DISTRIBUTION OTHERWISE QUALIFIES AS A QUALIFIED CHARITABLE DISTRIBUTION**



EDUCATION

- **AMERICAN OPPORTUNITY CREDIT EXTENDED THRU 2017**
- **\$5,250 EXCLUSION FOR BUSINESS EDUCATION MADE PERMANENT**
- **STUDENT LOAN INTEREST DEDUCTION MADE PERMANENT**
- **DEDUCTION FOR TUITION & EXPENSES EXTENDED THRU 2013**



INDIVIDUAL OTHER

- **STATE AND LOCAL SALES TAX DEDUCTION**
- **CHILD TAX CREDIT**
- **EARNED INCOME CREDIT**
- **ADOPTION CREDIT / ASSISTANCE**
- **CHILD & DEPENDENT CARE CREDIT**
- **TEACHER CLASS ROOM DEDUCTION**
- **CAPITAL GAIN PROPERTY DONATION FOR CONSERVATION**

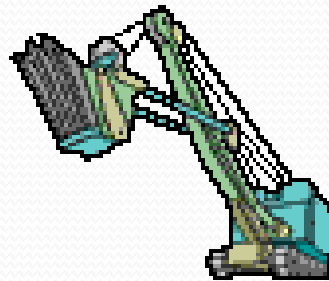
GIFT, ESTATE & GST

- **EXCLUSION \$5,000,000 INDEXED (\$5,250,000) FOR INFLATION**
- **PORTABILITY**
- **40% TAX**
- **PERMANENT**
- **NO OTHER CHANGES**



§179

- **RETROACTIVE 2012 & 2013**
- **\$500,000 / \$2,000,000**



BONUS DEPRECIATION

- 50%
- THROUGH 2013

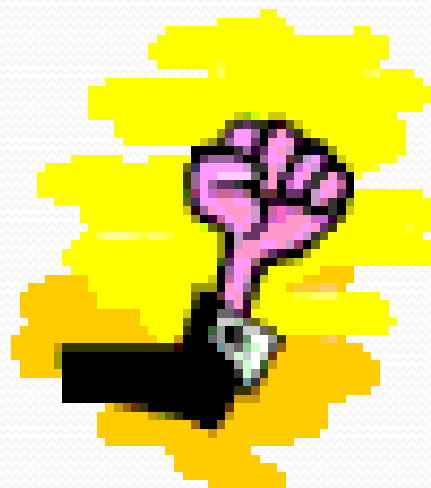


BUSINESS CREDITS

- R & D CREDIT – RETROACTIVE THRU 2013
- WOTC – RETROACTIVE THRU 2013
- MOST OTHER BUSINESS CREDITS



BIG TAX



MORE TO COME!

DEBT CEILING SEQUESTRATION



REMEMBER!
IN TAX, THE DEFINITION OF
“PERMANENT” IS “UNTIL
CONGRESS CHANGES IT”



Questions



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