

# Beyond the Fiscal Cliff

for the Massachusetts Oilheat Council

The good and the bad.



# Introduction



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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!

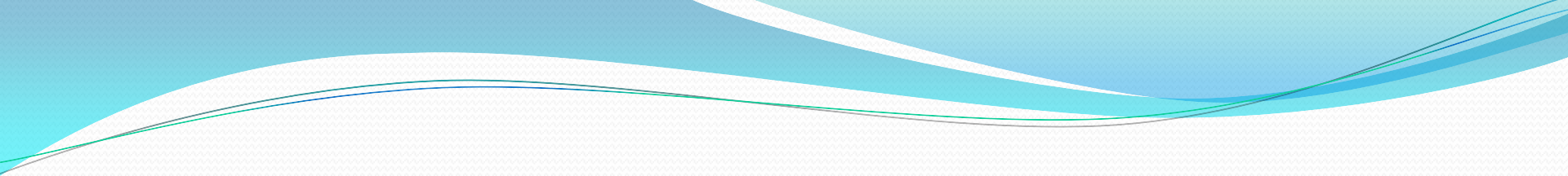


**“Thanks to Congress for keeping its wayward members off roads & out of bars on New Year's.”**

**“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

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





# 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



# TRUST PLANNING



**AMT permanently indexed  
for inflation.**

**Non-refundable PERSONAL  
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)**



# BUNCHING





# PERSONAL EXEMPTION PHASE-OUT

2% for each \$2,500





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



# 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 through **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
- Why gifts are still important



# §179

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





# BONUS DEPRECIATION

- 50%
- Through 2013



# BUSINESS CREDITS

- **R & D CREDIT – Retroactive through 2013**
- **WOTC – Retroactive through 2013**
- **Most other business credits**







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BEYOND THE NUMBERS

# PPACA (OBAMACARE) PLANNING

- NII – Waiting for Reg
- Earned income
  - S CORP
  - LLC
- When to start counting



# REPAIR REGS

- Early adoption?
- Effective **2014**
- Final Reg



# WORKER CLASSIFICATION



# MORE TO COME!

## DEBT CEILING SEQUESTRATION



**REMEMBER!**

**In tax, the definition of  
“permanent” is “until congress  
changes it”**





# Questions



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