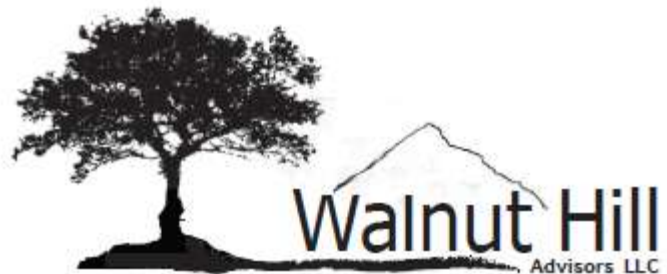




# Tax Planning

Impacts of the  
*American Taxpayer Relief Act of 2013*  
(a.k.a. “Fiscal Cliff Relief”)

*From:*



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# 2013 Tax Changes Impacting...

## Individual Taxes

### New Federal Income Tax Brackets

Taxable Income			
Rate	Single and MFS*	Married Filing Jointly	Head of Household
10%	>\$ 0	>\$ 0	>\$ 0
15%	>\$ 8,925	>\$ 17,850	>\$ 12,750
25%	>\$ 36,250	>\$ 72,500	>\$ 48,600
28%	>\$ 87,850	>\$146,400	>\$125,450
33%	>\$183,250	>\$223,050	>\$203,150
35%	>\$398,350	>\$398,350	>\$398,350
39.6%	>\$400,000	>\$450,000	>\$425,000

(\*) MFS = Married Filing Separately

NOTE: Future Income limits post 2013 to be inflation-adjusted

### Capital Gains and Dividends

0% for taxpayers in the 10% and 15% IRS tax brackets  
15% for taxpayers in the 25%, 28%, 33% and 35% IRS tax brackets  
20% for taxpayers in the 39.6% IRS tax bracket

### Itemized Deduction Phase-Out

Personal exemptions will be reduced by 2.0% for each \$2,500 that the taxpayer's *Adjusted Gross Income (AGI)* exceeds:

Married Filing Separately	\$150,000
Single	\$250,000
Head of Household	\$275,000
Married Filing Jointly	\$300,000

NOTE: For Married Filing Separately, personal exemptions are reduced by 2.0% for each **\$1,250** of taxpayers AGI in excess of limit listed above.

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#### Cover Picture:

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## Alternative Minimum Tax (AMT)

Changes were made to the AMT to permanently index it to inflation and thus to avoid the annual "patch" that was previously required to prevent it from impacting middle-class families.

### 2012 AMT Limits (Set)

Married Filing Separately	\$39,375
Single	\$50,600
Married Filing Jointly	\$78,750

### 2013 AMT Limits (Projected)

Estates and Trusts	\$23,100
Married Filing Separately	\$40,400
Single	\$51,900
Married Filing Jointly	\$80,750

## Provisions Extended Through 2013

- <> The \$250 deduction for elementary and secondary school teachers
- <> Exclusion from gross income of discharge of qualified principal residence indebtedness
- <> Mortgage insurance premiums treated as qualified residence interest
- <> Deduction for state and local general sales tax paid
- <> Special rule for contribution of capital gain on real property for conservation purposes
- <> Deduction for qualified tuition and related expenses
- <> Tax-free distributions from IRA's for charitable purposes
- <> Tax-free distributions from Roth IRA's after 5-year holding period remains intact

## IRS Tax Credits Extended through 2017, or made Permanent

1. American Opportunity Credit  
*Extends permanently the \$1,000 child tax credit, but reduces the eligible earnings threshold*  
<http://www.irs.gov/uac/American-Opportunity-Tax-Credit>
2. Enhanced provisions of the Child Tax Credit  
*Extends the \$1,000 child tax credit without inflation adjustments*  
<http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit>

## IRS Tax Credits Extended through 2017, or made Permanent (Contd.)

### 3. Enhanced provisions of the Earned Income Tax Credit (EIC)

*Makes permanent or extends through 2017 enhancements to the EIC including: (a) simplified definition of earned income, (b) reform of the relationship test and (c) modification of the tie-breaking rule. IRS has additional authority with respect to mathematical errors.*

[http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-\(EITC\)-%E2%80%93--Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it](http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-(EITC)-%E2%80%93--Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it)

### 4. Adoption Tax Credit

*Extends permanently the \$10,000 exclusion for employer-paid or reimbursed adoption expenses (indexed for inflation) Phase-out level for 2012 starts at \$189,710. For 2013 it is projected to start at \$191,530. The full credit for 2012 is \$12,650, and the projected credit for 2013 is \$12,970.*

<http://www.irs.gov/uac/Adoptive-Parents:-Don%E2%80%99t-Delay-Your-Adoption-Credit-Refund>

## IRS Tax Provisions Made Permanent (...until new law supersedes)

- <> Income tax brackets
- <> \$1,000 child tax credit
- <> Capital gains and dividend tax rates
- <> Itemized deduction phase-outs
- <> New child and dependent care rules
- <> All existing Marriage Penalty relief (EGTRRA)
- <> The two-year old cut in payroll (SSI) taxes was **not** extended
- <> New AMT income base with future adjustment up for inflation
- <> Exclusion for employer-provided educational assistance
- <> Higher contribution amount for Coverdell Education Savings Accounts
- <> The 60-month limitation - for the maximum number of months interest paid on student loans is deductible – has been repealed; it is now unlimited.
- <> Phase-out of tax deductions and credits for incomes over \$250,000 for individuals and \$300,000 for couples
- <> \$10,000 federal adoption-tax credit, scaled for inflation and worth a maximum of \$12,650 for 2012. But did not succeed in making the credit refundable for low- and middle-income families whose tax liability is less than the credit amount.

# Estates, Gifts and Generation-Skipping Transfer Taxes

## a. New Federal Exclusion Limit and Tax Rate

The American Taxpayer Relief Act of 2013 (“ATRA”) permanently provides for a maximum federal estate tax rate of **40%** with an annual, inflation-adjusted exclusion base limit of **\$5.25 million** for estates of decedents dying after December 31, 2012.

NOTE: Many state estate tax exclusion levels are well below the ATRA federal exclusion level, and if not properly planned and provided for, can create tax payment problems for your heirs. Example: Massachusetts estate tax exclusion for 2013 is only **\$1 million**; a \$4 million mitigation variance.

## b. Portability

New law makes permanent the “portability” of estate assets between spouses. Prior to the permanent extension, portability was only available to the estates of decedents dying after December 21, 2010, and before January 1, 2013.

## c. State Death Tax Credit / Deduction

Deduction for state estate taxes has been extended. (The *Economic Growth and Tax Reconciliation Relief Act of 2001* - EGTRRA – repealed the state death tax credit for decedents dying after 2004 and replaced the credit with a deduction.)

## d. Gift Tax

Provides for a 40% tax rate and a unified, lifetime estate and gift tax exclusion amount of \$5.25 million (inflation-adjusted) for gifts made after 2012.

## e. Generation-Skipping Transfer (GST) Tax

Extends the GST that was scheduled to expire on January 1, 2013. The extensions include: (a) the GST deemed allocations and retroactive allocation provisions; (b) clarification of valuation rules with respect to the determination of the inclusion ratio for GST tax purposes; (c) provisions allowing for a qualified severance of a trust for purposes of the GST tax; and (d) relief from late GST allocations and elections.

# Business Taxes

## New Federal Exclusion Limit and Tax Rate

**Section 179** and Bonus Depreciation has been enhanced for \*both\* 2012 and 2013 tax years (2012 has been retroactively included in the ATRA 2012 bill).

<> 2013 and 2012 Deduction Limit = \$500,000

This is good on new and used equipment, as well as off-the-shelf software.

<> 2013 and 2012 Limit on equipment purchases = \$2,000,000

This is the maximum amount that can be spent on equipment before the **Section 179** Deduction available to your company begins to be reduced.

<> Bonus Depreciation = 50%

This is taken after the \$2 million limit in capital equipment purchases is reached. Note: Bonus Depreciation is available for new equipment only. Bonus Depreciation can also be taken by businesses that will have net operating losses in 2013.

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# Request for a Meeting Form

*With*

**Alfred L. Angelici, MSIM**  
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\_\_\_\_\_ Yes, please call or email me to schedule a meeting time

\_\_\_\_\_ Yes, please call or email me to schedule a phone appointment with me

## **My Contact Information:**

Name:

Phone Number:

Email Address:

US Postal Address:

## **Notes:**

Zero Governors Avenue is located on the corner of High Street and Governors Avenue. Parking is available for free on the street or in the municipal lot on Governors Avenue. We are located on the 3<sup>rd</sup> floor. Take the elevator or stairs up. Enter through the door for "Suite 35" (we lease two connected offices on the 3<sup>rd</sup> floor.).

If documents are needed for the first meeting, we will email or US postal mail you a list of documents to bring along.

## **To deliver this form:**

*By US Postal Mail Service:*

**Walnut Hill Advisors, LLC**  
**Zero Governors Avenue, Suite 34**  
**Medford, MA. 02155**

*By Fax:*

**888.278.0203**

*By Email:*

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Questions? Call us and we'll take care of it – 781.393.0021

## APPENDIX – Data References

Capital Gains	Pg 12 - 15
Dividends	Pg 3
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2012 AMT Changes	Pg 17
AMT Inflation-adjusted	Pg 17 - 18
List of Permanent & Extended Tax Provisions	Pg 2 - 5
Modifications of Estate Tax	Pg 11

<http://www.gpo.gov/fdsys/pkg/BILLS-112hr8eas/pdf/BILLS-112hr8eas.pdf>

Estate 2013  
GST 2013  
IRS Tax Credits Extended  
Federal Income Tax brackets  
2013 AMT Income Limits

<http://www.irs.gov/uac/Newsroom/Annual-Inflation-Adjustments-for-2013>

Gift Limits 2013 Pg 8

<http://www.irs.gov/pub/irs-drop/RP-12-41.pdf>

Federal Income Tax brackets (IRS Amendment)	Pg 3
Earned Income Credit (EIC)	Pg 6
2013 AMT Income Limits (IRS Adjustments)	Pg 8
Adoption Assistance Programs	Pg 10

<http://www.irs.gov/pub/irs-drop/rp-13-15.pdf>

Section 179 expense and bonus deductions

<http://www.section179.org/>  
<http://www.irs.gov/pub/irs-pdf/i4562.pdf>