

## 2013 TAX LEGISLATION SUMMARY

January 2013

Individual Income Tax	2012 Law	Scheduled 2013 Law	American Taxpayer Relief Act of 2012 (ATRA) 2013 Law
<b>General Overview</b>	<ul style="list-style-type: none"> <li>• Lower rates with special treatment of qualified dividends and capital gains</li> <li>• No Medicare surtax</li> <li>• AMT thresholds reverted to 2001 levels in January 2012, but have been restored retroactively with ATRA</li> </ul>	<ul style="list-style-type: none"> <li>• Higher individual income tax rates with low AMT thresholds</li> <li>• New 3.8% Medicare surtax pursuant to the Patient Protection and Affordable Care Act</li> </ul>	<ul style="list-style-type: none"> <li>• Lower rates with special treatment of qualified dividends and capital gains, with exceptions for high-income taxpayers</li> <li>• New 3.8% Medicare surtax pursuant to the Patient Protection and Affordable Care Act</li> <li>• AMT thresholds increased and permanently indexed for inflation</li> </ul>
<b>Ordinary Income Tax Rates</b>	10%, 15%, 25%, 28%, 33%, 35%	15%, 28%, 31%, 36%, 39.6%	10%, 15%, 25%, 28%, 33%, 35% and 39.6% on income over \$400,000 for singles and \$450,000 for married filing jointly
<b>Marriage Penalty Relief</b>	Standard deduction and 15% bracket set at 2 times single for married filing jointly	Standard deduction and 15% bracket set at less than 2 times single for married filing jointly	Standard deduction and 15% bracket set at 2 times single for married filing jointly
<b>Qualified Dividends</b>	0% and 15%	Ordinary income tax rates	0%, 15% and 20% on income over \$400,000 for singles and \$450,000 for married filing jointly
<b>Long-term Capital Gains</b>	<ul style="list-style-type: none"> <li>• 0% and 15%</li> <li>• Other special purpose rates (e.g., collectibles 28%)</li> </ul>	<ul style="list-style-type: none"> <li>• 10% and 20% (and limited 8% and 18%)</li> <li>• Other special purpose rates (e.g., collectibles 28%)</li> </ul>	<ul style="list-style-type: none"> <li>• 0%, 15% and 20% on income over \$400,000 for singles and \$450,000 for married filing jointly</li> <li>• Other special purpose rates (e.g., collectibles 28%)</li> </ul>

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<b>Medicare Contribution Tax on Net Investment Income</b>	None	3.8% on net investment income to the extent individual modified adjusted gross income exceeds threshold amounts (\$250,000 married filing jointly, \$125,000 married filing separately, \$200,000 others) and for trusts and estates in marginal tax bracket in 2013 (estimated \$11,950)	Medicare contribution tax not affected, comes into effect as scheduled
<b>AMT Thresholds</b>			Retroactively increase for 2012 and permanently index for inflation thereafter
• <b>Married Joint / Surviving Spouse</b>	\$45,000 increased to \$78,750 retroactively by ATRA	\$45,000	\$80,800
• <b>Married Separate</b>	\$22,500 increased to \$39,375 retroactively by ATRA	\$22,500	\$40,400
• <b>Single / Head of Household</b>	\$33,750 increased to \$50,600 retroactively by ATRA	\$33,750	\$51,900
<b>Social Security Payroll Tax Relief</b>	2% reduction for 2012 (employees 6.2% to 4.2% and self-employed 12.4% to 10.4%)	Reduction expires	Reduction expires
<b>Itemized Deductions &amp; Personal Exemptions</b>	No additional high-income taxpayer phase-out	Phase-out personal exemptions and up to 80% of itemized deductions for high-income taxpayers above applicable thresholds	Phase-out personal exemptions and up to 80% of itemized deductions for high-income taxpayers (\$250,000 for singles and \$300,000 for married filing jointly)

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Gift, Estate, GST Tax	2012 Law	Scheduled 2013 Law	American Taxpayer Relief Act of 2012 (ATRA) 2013 Law
<b>Marginal Transfer Tax Rates</b>			
• Gift	35%	55%	40%
• Estate	35%	55% and 5% surtax	40%
• GST	35%	55%	40%
<b>Exclusions / Exemption</b>			\$5,000,000 adjusted for inflation
• Gift	\$5,120,000	\$1,000,000	\$5,250,000
• Estate	\$5,120,000 with portability	\$1,000,000	\$5,250,000 with portability
• GST	\$5,120,000	\$1,400,000 (estimated)	\$5,250,000
<b>GRATs</b>	Short-term permitted; zero remainder permitted	No change	No change
<b>Dynasty Trusts</b>	Long-term permitted	No change	No change
<b>Defective Grantor Trusts</b>	Permitted	No change	No change

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