



Jain & Jain, CPAs

**Umesh “Mike” Jain, CPA
Jain & Jain, P.C. CPAs
Office: 281-242-2420**



- **We will cover 3 topics:**
 - **The American Taxpayer Relief Act, signed into law by President Obama on January 2, 2013, impacts every taxpayer.**
 - **We can discuss in 2 segments**
 - **Individuals**
 - **Businesses**
 - **Patient Protection and affordable Care Act**
 - **Misc. matters**



- **All taxpayers will be taxed 2% more in 2013 than in 2012 on wages and self-employment income up to the Social Security/employment tax wage base of \$113,700.**
- **The Act permanently extends the Bush-era income tax cuts except for single individuals with taxable income above \$400,000; MFJ \$450,000; and HOH \$425,000. Income above these thresholds will be taxed at a 39.6%, effective January 1, 2013. (will be adjusted for inflation)**



- **Capital Gains and Qualified Dividend Tax-The maximum tax rate for high income taxpayers increases to 20% and for all other taxpayers remains at 15%; and 0% rate will continue to apply to qualified capital gains and dividends to the extent income falls below 15% tax bracket.**
- **This Act also revives the personal exemption and itemized deduction phase out for individuals with AGI over \$250,000 and MFJ with income over \$300,000.**



Alternative Minimum Tax

- This a parallel tax to the regular income tax. This also has exemption of \$ 51K/ 79K/40K approximately which gets phased out for income over \$ 233K/390K.
- What is generally not deductible for AMT:
 - Property taxes
 - Personal exemptions
 - Misc. itemized deductions
 - Host of other items



Estate Tax

- Effective January 1, 2013, the maximum estate and gift tax rate increased from 35% to 40%.
- The exclusion amount for estate and gift taxes is unchanged for 2013 and subsequent years at \$5 million (adjusted for inflation).



Bonus Depreciation

- **This act extends 50- percent bonus depreciation on New depreciable assets through 2013. There is no cap on the dollar amount.**



Code Sec. 179 Depreciation

- This Act boosts the deduction and investment limits for 2012 and 2013 to their 2011 amounts (\$500,000 and \$2 million) and adjusts those amounts for inflation. This is for both new and used assets.
- The Code Sec. 179 deduction and investment limits are scheduled to decrease to \$25,000 and \$200,000 respectively, after 2013.
- Loss can not be created by using sec. 179 deduction.



Leasehold, retail and restaurant property:

- **The Act extends, for 2012 and 2013, the special treatment of qualified leasehold and retail improvement property and qualified restaurant property as eligible for a 15-year recovery period.**



R & D Tax Credit

- **The American Taxpayer Relief Act extends the R & D tax credit through 2013. This is a credit not a deduction.**
- **The definition of what qualifies for R & D is very liberal especially for small businesses.**
- **You might review your situation and amend previous returns to get refund.**



Patient Protection and affordable Care Act:

- **10% excise tax imposed on indoor tanning services began on July 1, 2010.**
- **Health care flex spending contributions decreased from \$5,000 to \$2,500 beginning 1/1/2013.**
- **0.9% Medicare tax is imposed on wages and self-employment income in excess of \$ 200,000 for individuals and 250,000 MFJ for 2013.**



- **3.8% Medicare tax on net investment income or modified AGI in excess of \$200,000 for single and \$250,000 for MFJ beginning 2013.**
- **Trusts are subject to this tax also.**
- **No 3.8% tax on capital gain on sale of business in which you are active in the business.**
- **Income of “S” corp. not subject to 3.8% tax if you are active in the business.**



Misc. matters for businesses

- **Section 199 deduction-Domestic Production activity deduction**
- **Convert to “S” from “C” to avoid double tax**
- **Convert to L.P. from an LLC to avoid medicare tax.**
- **NOL carry-back and carry-forward**



Jain & Jain, CPAs

Please contact our office and we can make an appointment to discuss how the American Taxpayer Relief Act can help maximize your tax savings.

**Umesh “Mike” Jain, CPA
Jain & Jain, CPAs
Office: 281-242-2420**