



Tax Law Change Update

American Taxpayer Relief Act addresses the "fiscal cliff"

The American Taxpayer Relief Act of 2012 (ATRA) averted the United States' descent over the "fiscal cliff" — a combination of higher taxes and forced spending cuts scheduled to go into effect in 2013. The act prevented income tax rate increases for about 98% of taxpayers and made other changes affecting individuals and businesses. Here's a brief summary of the most important provisions.

Individual tax provisions

- Made permanent 2012 ordinary-income tax rates, ranging from 10% to 35%
- Increased the top marginal tax rate to 39.6% on taxable income in excess of certain thresholds
- Allowed the scheduled 2013 return of the limits on certain itemized deductions and personal exemptions
- Made permanent 2012 long-term capital gains rates of 0% and 15%
- Increased long-term capital gains rate to 20% for taxpayers with taxable income exceeding certain thresholds
- Made permanent long-term capital gains treatment for qualified dividends
- Made permanent alternative minimum tax (AMT) relief
- Extended the deduction for state and local sales tax in lieu of state and local income tax through Dec. 31, 2013
- Extended various child- and education-related credits and deductions
- Extended the ability of taxpayers age 70½ or older to make a direct tax-free rollover from an IRA to charity through Dec. 31, 2013
- Extended certain home and energy-related breaks
- Increased the top estate tax rate to 40%
- Maintained the estate tax exemption amount at \$5 million, inflation-adjusted annually

Business tax provisions

ATRA extended through Dec. 31, 2013, several valuable tax breaks, such as:

- Bonus depreciation
- Enhanced Section 179 expensing
- Accelerated depreciation for qualified leasehold, retail and restaurant improvements
- The Work Opportunity credit
- The research and development credit
- Certain energy-related breaks

The impact on you

We've touched on only some of ATRA's numerous provisions here. In addition, many breaks are subject to a variety of rules and limitations. So be sure to discuss them with your tax advisor to determine exactly how they'll affect you. We'd be pleased to help.