



Plan Ahead for 2013 Tax Season

By Doreen Friel, NRECA Straight Talk

If you're like most Americans, you recently filed your 2012 federal tax return. Since you've just completed that painstaking process, perhaps the last thing you want to think about right now is your 2013 taxes. But you should—there have been many changes to federal tax laws.

What you need to know

Tax policy was altered with congressional passage of the American Taxpayer Relief Act of 2012. The following are some highlights that became effective on January 1, 2013.

- The deduction for certain types of expenses was extended to include the 2012 and 2013 tax years. This includes deductions for state and local taxes, educator expenses, qualified tuitions, and others.
- Individual income tax rates that went into effect in 2001 and 2003 became permanent, which means no changes for folks in the 10, 15, 25, 28, 33, and 35% tax brackets. However, the rate on taxable income for those earning \$400,000 or above

(single) and \$450,000 or more (married filing jointly) has increased to 39.6%.

- The capital gains tax rate increased to 20% for taxable incomes at or above \$400,000 (single) and \$450,000 (married filing jointly). It remains at 15% for all others.
- The law imposed limits on allowable itemized deductions on 2013 tax returns for individuals with incomes of \$250,000 or more (\$300,000-plus for married couples filing jointly).
- The amount of income exempt from the Alternative Minimum Tax has been set for 2012 and will now be indexed for inflation each year, as determined by the IRS.
- Any 2013 taxable wages that exceed

\$200,000 are now subject to a 0.9% Medicare tax surcharge (individuals).

- The provision providing for a 2% reduction in Social Security withholding amounts expired.

What you can do now

Check in with your tax adviser to determine how the new tax legislation affects you. While high-earners are affected the most, your tax professional can help position you more favorably for this current tax year, such as altering your pre-tax retirement plan contributions.

This article is for informational purposes only and is not intended to be tax advice. Consult a tax adviser for information specific to your situation.