



Zhang CPA Group LLC

# Kathleen Zhang, CPA American Taxpayer Relief Act of 2012

124 Main Street. 844 Massachusetts Ave  
Acton, MA 01720 Lexington, MA 02420  
Tel: 978-263-4355 Fax: 978-264-9909 E-mail: [kathy@kathleenzhangcpa.com](mailto:kathy@kathleenzhangcpa.com)

NEWSLETTER  
JANUARY 2013

## American Taxpayer Relief Act of 2012

Congress passed the American Taxpayer Relief Act (ATRA) of 2012, which President Obama indicated he would sign, to avert the fiscal cliff. The legislation would allow tax rates to rise on the nation's highest earners while also extending dozens of tax cuts for individuals and businesses. There are several highlights of this bill.

### Higher Top Tax Rate

The American Taxpayer Relief Act of 2012 raises the tax rate to 39.6% for taxpayers with taxable income above:

- \$400,000 for single filers
- \$450,000 for joint filers
- \$425,000 for heads of households.
- \$225,000 for married filing separately

Moreover, for taxpayers in the 39.6% tax bracket, the long-term capital gains and qualifying dividends tax rate is raised to 20% from 15%. All other taxpayers will continue to enjoy a capital gains and dividends tax at a maximum rate of 15%.

### Permanent AMT Relief

The American Taxpayer Relief Act increases the exemption amounts. The 2013 AMT exemption amounts are:

- \$ 80,750 for married filing jointly and qualified widow(er)s.

### Individual Tax Benefits

- The Act extends through 2013 the teacher's classroom expense deduction. The qualified expenses can be deducted up to \$250 for primary and secondary education professionals.
- The Act extends the provision through December 31, 2013, which treats mortgage insurance premiums as deductible interest that is qualified residence interest.

• \$51,900 for single and head of household

• \$40,375 for married filing separate filers

Nonrefundable personal tax credits will be allowed to offset both regular and AMT tax liabilities permanently for all tax years beginning after 2011.

### Federal Estate Tax

The maximum estate tax rate for estates of decedents dying after December 31, 2010 and before January 1, 2013 is 35 percent with a \$5 million

exclusion. Effective January 1, 2013, the maximum federal estate tax rate was scheduled to revert to 55 percent with an applicable exclusion amount of \$1 million.

### Tax Credits

American Opportunity Tax Credit (AOTC) is available for up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. The Act extends the credit for 5 additional years, through 2017.

### TAX RATES FOR SINGLE FILERS FOR 2013

If taxable income is:	The tax will be:
Up to \$8,925	10% of taxable income
\$8,925-\$36,250	\$892.50 plus 15% of the excess over \$8,925
\$36,250-\$87,850	\$4991.25 plus 25% of the excess over \$36,250
\$87,850-\$183,250	\$17,891.25 plus 28% of excess over \$87,850
\$183,250-\$398,350	\$44,603.25 plus 33% of excess over \$183,250
\$398,350-\$400,000	\$115,586.25 plus 35% of excess over \$398,350
Over \$400,000	\$116,163.75 plus 39.6% of the excess over \$400,000

- ATRA 2012 extended through 2013 the increase in the monthly exclusion for employer-provided transit and vanpool benefits from \$125 to \$240.







Zhang CPA Group LLC

# Kathleen Zhang, CPA

## American Taxpayer Relief Act of 2012

124 Main Street. 844 Massachusetts Ave  
Acton, MA 01720 Lexington, MA 02420  
Tel: 978-263-4355 Fax: 978-264-9909 E-mail: [kathy@kathleenzhangcpa.com](mailto:kathy@kathleenzhangcpa.com)

NEWSLETTER  
JANUARY 2013

- Cancellation of indebtedness income is includible in income. This provision excludes from income cancellation of mortgage debt on a principal residence of up to \$2 million. The Act extends the provision through 2013.
- Prior law increases the annual contribution amount from \$500 to \$2,000 for Coverdell ESAs and expanded the definition of education expenses to include elementary and secondary school expenses. ATRA 2012 permanently extended the changes to Coverdell ESAs for tax years beginning after 12/31/12.
- The Act provides two special rules related to IRA Distributions to Charity. One rule allows taxpayers to re-characterize distributions made in January 2013 as made on December 31, 2012. The other rule permits taxpayers to treat a distribution from the IRA to the taxpayer made in December 2012 as a charitable distribution, if transferred to charity before February 1, 2013.



### Personal Exemption and Itemized Deduction Phase-outs

Personal Exemption Phase-out (PEP) and limitation on itemized deduction (Pease) apply as AGI rises above the following thresholds:

- \$250,000 for single filers
- \$300,000 for joint filers
- \$275,000 for heads of households.
- \$150,000 for married filing separately

Pease reduces itemized deductions by 3% of AGI above the threshold amounts—up to a maximum of 80%.

PEP reduces personal exemption by 2% for:

- Every \$1,250 of income above the threshold amount of MFJ.
- Every \$2,500 of income above the threshold amount for single taxpayers.

### Business Tax Provisions

The American Taxpayer Relief Act extends through 2013 certain business tax provisions that expired at the end of

2011 including:

1. Research credit
2. New markets tax credit
3. Railroad track maintenance credit
4. Mine rescue team training credit
5. Work opportunity credit
6. Section 179 asset expensing at \$500,000
7. Section 1202 stock exclusion at 100%
8. Empowerment zone incentives
9. 50% bonus depreciation

### Energy Tax Incentives

The American Taxpayer Relief Act extends a number of energy tax incentives, primarily business-related credits. The Act extends through 2013 certain energy tax incentives that expired at the end of 2011 including:

1. Energy efficient credit for existing homes
2. Alternative fuel vehicle refueling property credit
3. Biodiesel and renewable diesel incentives
4. Wind credit
5. Energy efficient credit for new homes

*If you have any questions, please don't hesitate to call. We are at your service.*

