

American Taxpayer Relief Act of 2012: What it Means to YOU!--Individual Part I

American Taxpayer Relief Act of 2012: What it Means to YOU!

Individuals (Part I)

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Remember this guy?



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History of the Bush tax cuts

- In 2000, worried about *too little* national debt.
- Revenues soaring = tax cuts.
- Goal = \$1.6 trillion tax cut in 10 years
- Greenspan = “terminate or reduce tax cut based on economic circumstance”... was ignored
- All of this = where we are today.

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How did we avoid the Fiscal Cliff?



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American Tax Relief Act of 2012

- Continues much of Bush tax cuts
- “Supposed” increase for top 1% of earners.
- Some laws made permanent, others extended temporarily.

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Tax Rate Changes

Increase maximum rate to 39.6% (from 35.5%) for AGI over:

- \$450,000 married
- \$400,000 single
- \$425,000 head of household
- \$225,000 married filing separate.

This is a 13% increase.

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Rates on Capital Gains & Dividends

Same as last year (15%), except:

- Taxpayers in the 39.6% marginal tax rate =
- 20% capital gains.
- 3.8% Medicare tax for married AGI over \$250,000

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Medicare tax on investment income

- From the Health Care Act
- 3.8% on investment income with an AGI over 4250,000
- Investment income = dividends, interest, capital gains.
- This can put capital gains as high as 23.8%.

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Fixed the Alternative Minimum Tax (AMT)

- AMT usually fixed through patches; now it's permanent.

	2011	2012
Unmarried		
Exemption	\$48,450	\$50,600*
Phase out	\$112,500-306,300	\$112,500-314,900
Married		
Exemption	\$74,450	\$78,750*
Phase out	\$150,000-447,800	\$150,000-465,000

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Temporary 2013 tax relief provisions

- \$250 teacher deduction
- Home interest (PMI) deduction
- Sales tax deduction
- Conversations easements
- Tuition deduction
- Contributing IRAs to charity
- Energy tax incentives

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Conversation easements.

- Preservation of land areas, natural habitat and open space.
- Preservation of landmarks.
- More info: www.conservelands.com

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Tuition Deduction

- Up to \$4,000 (does not need to be itemized).
- AGI limitations:
 - Single- \$65,000 - \$80,000
 - Married- \$130,000 - \$160,000
- Eligibility requirements
 - You or dependent enrolled in post-secondary school
- Used for higher education tuition and fees.

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Contributing IRAs to Charity

- Donate IRA funds to charity instead of taking a withdrawal.
- \$100,000 limit.
- Why?
- www.ira.com/charitable-rollover

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Energy Tax Credit

- For residential energy efficient improvements.
- Lifetime limits:
 - \$200 windows
 - \$50 main air circulating fan
 - \$300 heat pump water heater
- See www.energytaxincentives.org

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Exemption & Itemized Deduction Phaseouts

- Permanent phase outs in 2013 and beyond
 - AGI \$300,000 for married
 - AGI over \$250,000 for single.
- Exemptions phase out 2% for each \$2,500 over thresholds.
- Itemized deduction phase-out 3% that AGI exceeds threshold but not more than 80% reduction.

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Permanent Extended Items

- \$1,000 child tax credit.
- Marriage penalty relief for standard deduction and 15% bracket.
- Enhanced EIC provisions
- Coverdell education savings account
- Exclusions for employer-provided education
- Enhanced deductions for student loan interest, dependent care credit and adoption expenses.

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Estate Tax

Persons Dying In	Applicable Exclusion Amount	Applicable Credit Amount	Top marginal Tax Rate
2008	\$2,000,000	\$780,800	45%
2009	\$3,500,000	\$1,455,800	45%
2010	\$5,000,000 or no estate tax if using modified carryover basis	\$330,800	35% or no estate tax if election made
2011	\$5,000,000	\$1,730,800	35%
2012	\$5,120,000*	\$1,772,800*	35%
2013+	\$5,120,000*	\$1,772,800*	40%

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Other Estate and Gift Provisions

- Unused decreased spouse exemption passes onto surviving spouse
- Gift and GST rules permanently increased and are like estate exemptions.

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Personal Residence Forgiveness of Indebtedness

- Principle residence
- Acquisition indebtedness
- Not relevant to bankruptcy or insolvency

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Did the Tax Act increase tax on only the top 1%?

- Tax rates on married over \$450,000 increased from 35% to 39.6%
- Phase out of exemptions AGI over \$300,000
- Phase out of Itemized deductions over \$300,000
- Medicare tax on investment income if AGI is over \$250,000 is now 3.8% on top of all other taxes
- 2% employment tax holiday on wage earners expires (will provide 93.2 million in tax revenue.
- Tax rate increase???? How Much????

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What does this all mean to you?



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About Chuck



Roy C. Thornton, better known as Chuck, started his practice because he wanted to be able to work with smaller clients and create a higher level of personal satisfaction with each one. In 30-plus years, he's built the firm into a stable and specialized position, working closely with businesses and individuals that are guided by an entrepreneurial spirit and foundation.

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Your solution finders.....

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- R.C. Thornton and Associates respects the entrepreneurial spirit required to get you to this point. We call ourselves "Solution Finders," specializing in challenging situations in both your personal net worth and your business. We don't just complete tax returns; we advise you on how to navigate the financial direction of your company and your life, leaving no stone unturned.
- Our accountants work with you to identify areas negatively affecting profitability and growth to develop solutions that are practical and fiscally sound. This applies to business and personal financial needs. In addition to acting as your sounding board, we provide comprehensive, flexible strategies that address the issues affecting you and/or your business. At R.C. Thornton and Associates, we **steer away from institutionalized approaches. Instead we adopt a blended style of tax planning that includes non-traditional methods and customized strategies, while keeping it within the bounds of the law.**
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EDUCATION

University of Delaware - B.S. Accounting
New York University - M.B.A. (Concentration in Taxation)

PROFESSIONAL EXPERIENCE

Internal Revenue Service - Agent
Haskins & Sells (now **Deloitte & Touché**) - Auditor
J.K. Lasser - Tax
Self-employed - 1976 to Present Tax & Accounting
Adjunct Instructor - **University of Delaware Tax & Accounting**
Adjunct Instructor - **American Graduate School of Financial Studies Tax**
Instructor - **American Institute of CPAs Tax, Practice Management Issues, and Business Valuation**



PROFESSIONAL MEMBERSHIPS (PRESENT/PAST)

Delaware Society of CPAs
American Institute of CPAs
New Castle County Chamber of Commerce
Delaware Estate Planning Council
Delaware Tax Group
Phoenix Chamber of Commerce
Phoenix Tax Workshop
Valley Estate Planning Council
Arizona Society of CPAs
Phoenix Local Development Corporation (PLDC)
College of Estate Planning Attorneys

PROFESSIONAL ACTIVITIES (Present/Past)

Past Chairman - Education Committee of Chamber of Commerce
Past Treasurer - New Castle County Chamber of Commerce
Past Committee Member - Public Relations Committee - Delaware Society of CPAs
Past Member - Tax Practice Committee - Federal Tax Division
Past Vice President - PLDC
Member - American Institute of CPAs
Member - Arizona Institute of CPAs
Member - National Association of Certified Valuation Analyst
Member, Participant - Financial Planning Task Force Conference – Arizona Society of CPAs

PROFESSIONAL PUBLICATIONS

Publications:
Delaware Society CPA Journal - "Planning for Distributions from Retirement Plans"
The Practical Accountant - "What's It Worth? - A Guide to Business Valuation"
Arizona Newsledger - "A Better Idea, Shedding Light on Excessive Employee Turnover"
Arizona Newsledger- "Your Check Is In the Mail"

Books:

Harcourt Brace- "CPA's Practice Management Handbook"
AICPA- "Hard Hitting Tax Planning Techniques for Closely Held Corporations"

Seminar Publications:

**“How to Read Between the Lines of These Accountants Reports”
(A Guide for Third Party Users)**

A 110-page publication designed to help third party users of CPA statements to understand a compilation, review, or audit. This publication and seminar has been used by the local chapter, Robert Morris Association (RMA), by its associates. They have presented it before various commercial banks and loan officers throughout the valley.

**PROFESSIONAL
QUALIFICATIONS**

Certified Public Accountant	Series 6, 7, 24, 26 Licenses
Certified Life Underwriter	Life Insurance License
Master of Business Administration	Registered Investment Advisor
Personal Financial Specialist	Certified Financial Planner
	Certified College Planning Specialist
Certified Long Term Care Specialist	

SAMPLE PRESENTATIONS AND SEMINARS, ETC.

The following is a sample list of presentations made to different professional groups:

For Colleges

Basic Accounting
Introductory Taxation
Business Taxation
Valuation of Closely Held Business

For American Institute of Certified Public Accountants (AICPA) and Various State Societies

Managing Today's Tax Practice
Tax Accounting Methods
C-Corporation
S-Corporation
Problems of the Closely Held Business
Valuation of Closely Held Business
1040 Tax Clinic (an annual update for 5 year level CPAs)
Today's Corporate Tax Management Issues for CPAs in Industry
Purchase and Sale of Closely Held Businesses
Valuation of the Professional Practice
National Maps Conferences (Management of Accounting Practice)
Taxation of Life Insurance
Family Limited Partnerships

For Non-CPA Societies

Valuation issues
Divorce Taxation
What Every Lawyer Should Know About Taxes
Travel and Entertainment Deductions
Tax issues in Troubled Business