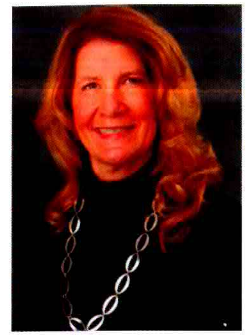
2013 year end tax planning

2013 IS A YEAR WITH NUMEROUS TAX LAW CHANGES IMPACTING INDIVIDUALS AND BUSINESSES.



by mary e. vandenack

Do year end tax planning early to allow yourself time to make any advisable moves prior to year end.

Same Sex Marriages In 2013, the Supreme Court held that restricting the definition of the word "married" to heterosexual couples violated the U.S. Constitution. The Internal Revenue Service has since indicated that same sex marriages will be recognized for all federal tax purposes. This is true even if a same sex couple resides in a state that does not recognize same sex marriages as long as the same sex couple was legally married in a state that allows for such marriages.

The Windsor ruling impacts businesses with respect to any type of benefit involving spouses. Same sex spouses will have rights under retirement plans, health insurance plans, and other benefit plans. Employers should review benefit plans to ensure compliance and awareness.

The Windsor ruling affects individual tax planning. Same sex couples will be subject to the tax filing rules and tax rates established for married. Same sex couples can amend tax returns filed for 2010, 2011, or 2012.

New Taxes and Rates The new 3.8% Medicare tax (actually a general fund tax) applies to net investment income. A new .9% Medicare tax applies to earned income of certain types and amounts. The highest personal income tax rate is increased to 39.6%. The capital gain rate has been increased for higher income taxpayers. Personal exemptions and itemized deductions phase out at certain income levels.

Life Changes That Impact Taxes Life changes may impact your taxes. Such changes include change of marital status, dependency changes, purchase or sale of a home, purchase or sale of a business, purchase or sale of a capital asset, casualty losses, move to a new state, retirement, or job change.

Estimate Your Income Business owners should estimate income both from business and personally and review opportunities to minimize the impact of new taxes and phase-outs. Investors should review the nature and source of investment income and capital gains. Individuals should estimate income from all sources and calculate deductions.

Individual Strategies Maximize retirement plan contributions. If you are subject to minimum required IRA distributions and make gifts to charity, consider using your minimum required distribution to make any charitable gifts to avoid the itemized deduction phase-out of your charitable deduction. Consider the timing of income and expenses. Review possible impact of Alternative Minimum Tax.

Investment Income Strategies Plan gains and losses. Minimize the impact of the 3.8% surtax on investment income. Review investment types. If you are going to sell an asset with significant gain, review strategies for reducing the net investment income number.

Business Strategies Establish and contribute to a retirement plan. Review other possible benefit plans. Consider your entity structure. Depending on tax rate and business type, the rules concerning best entity choice have changed. In some cases an additional entity may create a tax planning opportunity. Apply standard timing rules.

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