I. **Additional Medicare Tax – Individuals /ACA[i]/**
   a. 0.9% additional Medicare tax on wages, compensation and self-employment income received in excess of: $250,000 married filing joint; $125,000 married filing separate; $200,000 others
   b. Employers collect the extra 0.9% on wages exceeding $200,000
   c. There is no employer match
   d. Individuals may need to increase their withholding or estimates for the additional tax
   e. New Form 8959; tax is reported on Form 1040, line 60, box a

II. **Net Investment Income Tax /ACA/**
   a. Medicare tax will apply to investment income
   b. Tax is 3.8% of the lesser of:
      i. Net investment income, or
      ii. Excess of modified AGI over $250,000 married filing joint or qualifying widow; $125,000 married filing separate; $200,000 others
      iii. Estates and trusts: 2013 threshold is $11,950
   c. Net investment income: interest (not tax-exempt), dividends, capital gains, rental and royalty income, non-qualified annuities, income from businesses involved in trading of financial instruments or commodities, and businesses that are passive activities
      i. Doesn't apply to the excluded portion of gain on sale of personal residence
      ii. Includes child's income on Form 8814 (after threshold is applied)
   d. New Form 8960; tax is reported on Form 1040, line 60, box b or Form 1041, Schedule G, line 4
   e. Taxpayers may need to increase their withholding or estimates

III. **Higher threshold for deducting medical expenses /ACA/**
   a. Floor raised from 7.5% of AGI to 10%
   b. AGI floor for individuals age 65 and older will remain unchanged at 7.5% through 2016

IV. **Dollar cap on contributions to health FSAs /ACA/**
   a. Allowable contributions to health FSAs capped at $2,500 per year (indexed for inflation after 2013).

V. **Income tax rate increase for high earners beginning in tax year 2013 /ATRA[ii]/**
   a. Rates remain at 10%, 15%, 25%, 28%, 33% and 35%
   b. New 39.6% top bracket. Rate applies to income above: $450,000 married filing joint, qualifying widow; $425,000 head of household; $400,000 single; $225,000 married filing separate (indexed for inflation after tax year 2013)

VI. **Capital gain & dividend rate increase for high earners beginning in tax year 2013 /ATRA/**
   a. Top rate rises from 15% to 20%
   b. Applies to income above: $450,000 married filing joint, qualifying widow; $425,000 head of household; $400,000 single; $225,000 married filing separate
   c. 0% capital gain and dividend rate still applies to taxpayers whose ordinary income is taxed below 25%

VII. **Personal exemption phase-out (PEP) & itemized deduction limitation (Pease) for high earners beginning in tax year 2013 /ATRA/**
   a. Thresholds: $300,000 married filing joint, qualifying widow; $275,000 head of household; $250,000 single; $150,000 married filing separate (indexed for inflation after tax year 2013)

VIII. **Permanent alternative minimum tax relief beginning in tax year 2012 (retroactive) /ATRA/**
   a. Increased exemption amounts: $51,900 single, head of household; $80,800 married filing joint, qualifying widow; $40,400 married filing separate (2013 amounts shown, indexed for inflation after tax year 2012)
   b. Nonrefundable personal credits allowed to offset regular tax and AMT

IX. **Estate, gift and generation skipping transfer (GST) tax beginning in tax year 2013 /ATRA/**

a. $5,000,000 exemption permanently extended (indexed for inflation, $5.25M in tax year 2013)
b. Top rate increases from 35% to 40%
c. Retains portability feature

X. **Pension provision**

a. Retirement plans (including Roth plans) can allow participants to elect to transfer amounts to designated Roth accounts. They are treated as taxable rollover contributions. (effective after tax year 2012)

XI. **Recovery Act of 2009 provisions extended for 5 years beginning in tax year 2013 /ATRA/**

a. American opportunity credit
b. Eased rules for the refundable child tax credit
c. Various elements of the earned income credit: larger credit for taxpayers with 3 or more children; increases in threshold phase-outs for single, qualifying widow and head of household filing statuses

XII. **Individual provisions extended for tax years 2012 and 2013 /ATRA/**

a. Deduction for school teacher expenses
b. Tuition and fees deduction
c. State and local general sales tax deduction
d. Mortgage insurance premiums treated as residence interest
e. Exclusion for discharge of principal residence debt (tax year 2013 only)
f. Tax-free distributions from IRAs for charitable purposes
g. Special rule for contributions of capital gain real property made for conservation purposes
h. Parity for exclusion of employer-provided mass transit and parking benefits exclusions

XIII. **Depreciation provisions extended for tax years 2012 and 2013 /ATRA/**

a. Increased section 179 expensing limits: $500,000 limit with a $2,000,000 phase-out
b. Treatment of certain real property as section 179 property
c. 50% bonus depreciation (tax year 2013 only)
d. Accelerated depreciation for Indian reservation property
e. 15 year straight-line method for leasehold improvements, restaurant buildings and improvements, and retail improvements
f. 7 year recovery period for motorsports entertainment complexes

XIV. **Business provisions extended for tax years 2012 and 2013 /ATRA/**

a. Research credit
b. Work opportunity credit
c. Employer wage credit for employees who are active duty members
d. Indian employment credit
e. New markets credits
f. Enhanced charitable deduction for contributions of food inventory
g. Railroad track maintenance credit
h. Mine rescue team training credit
i. Qualified zone academy bonds
j. Exclusion of 100% of gain on small business stock acquired before 1/1/14
k. Basis adjustment to stock of S corporations making charitable contributions of property (tax years beginning before 12/31/13)
l. Reduction in S corporation's recognition period for built-in gains tax (10 years instead of 5 years, effective through 2013)
m. Domestic production activities deduction for activities in Puerto Rico (tax year 2006 through tax year 2013)
n. Exclusion from a tax-exempt organization's UBTI of interest, rent, royalties and annuities paid from a controlled entity (through 12/31/13)
o. Empowerment zone incentives: designation of an empowerment zone (through 12/31/13); 60% exclusion for small business stock (through 12/31/18)

XV. **Energy-related provisions extended for tax years 2012 and 2013 /ATRA/**

a. Non-business energy property credit for energy-efficient homes
b. Energy-efficient new homes credit
c. Energy-efficient appliances credit
d. 2 or 3 wheeled plug-in electric vehicle credit
e. Alternative fuel vehicle refueling property credit
f. Biodiesel and renewable diesel credit
g. Cellulosic bio-fuel producer credit (tax year 2013 only)
h. Production credit for Indian coal facilities (extended for 1 year)
i. Credits with respect to facilities producing energy from renewable resources (extended for 1 year)

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[i] ACA - Affordable Care Act for Tax Year 2013
[ii] ATRA - American Taxpayer Relief Act of 2012

Velev Advisors DBA
11945 Woodbine St, Los Angeles, CA, 90066
Phone: 818-428-7969 · Fax: 310-684-5848 · Web: http://www.velevadvisors.com · Email: info@velevadvisors.com