



ABOULAFIA & JUNE, CPAs P.C.

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LATEST IRS LAW CHANGES DUE TO THE AFFORDABLE CARE ACT

For high-income taxpayers, the rate for 2013 will increase from 35% to 39.6%.

This is for income that exceeds:

Married filing jointly - \$450,000

Head of Household - \$425,000

Married filing Separately - \$225,000

Single - \$400,000

Dividends will be taxed at 15% as in the past years. However, the high-income taxpayer will be subject to a 20% tax rate.

There will be a phase-out for personal exemptions and itemized deductions for high-income taxpayers. You will be affected, if your income for 2013 exceeds:

Married filing jointly - \$300,000

Head of Household - \$275,000

Married filing separately - \$150,000

Single - \$250,000

IRA and retirement plan limits for 2013 and 2014 are \$5,500 and the catch up provision for taxpayers 50 years and older is \$1,000 for both years. For retirement plans – 401K, 403(b), 457(b) – the limit is \$17,500 for 2013 and 2014, and the catch up provision for taxpayers 50 years and older is \$5,500 for both years.

NOTE: Contributions for all retirement plans cannot exceed 100% of earned income.

There is one tax law that could affect taxpayers in all income groups. It is the change to the deductibility of medical expenses. In the past, medical expenses could be deducted if the expenses were greater than 7 ½% of adjusted gross income (AGI). In 2013, the deductible amount is subject to 10% of your AGI. Taxpayers who are age 65 or older will still use the 7 ½% of their AGI.

The new changes that affect high-income taxpayers require an additional .9% to be paid on earned income over \$200,000 for single and head of household taxpayers, \$250,000 for married filing jointly and \$125,000 for married filing separately.

There is a new 3.8% Medicare surtax on your net investment income, / such as; dividends, interest, capital gains, royalties and rental income. This will affect married taxpayers with income greater than \$250,000 or \$200,000 if single or head of household. The tax is assessed on the smaller of the total net investment income or excess income, greater than the income thresholds.

For business owners in 2014, the SUTA maximum per employee per year increases from \$8,500 to \$10,300.

Please make an appointment with your accountant if you have any concerns about the current 2013 tax year. Planning for this year must be made before December 31, 2013 to make a difference in your tax liability and/or refund.