



## ABOULAFIA & JUNE, CPAs P.C.

Ann T. Aboulafia, CPA, MS

Diane F. June, CPA, MST

Dear Client:

It is hard to believe that the 2013 tax season is upon us! It's that time of year when we like to extend our good wishes for the coming New Year.

There are changes that were just voted on over the New Year weekend that all my clients should be aware of. Beginning in 2013, the tax rate for individuals earning more than \$400,000 and couples earning more than \$450,000 will rise from the current 35% to 39.6%. They will also be subject to a long term capital rate of 20% as well as 20% for qualifying dividends. The AMT (alternative minimum tax) will be permanently adjusted for inflation. Taxes on inherited estates will go up to 40% from 35%, on estates over five million dollars.

The new legislation provides that, beginning in 2013, personal and dependency exemptions will be phased out for those with incomes exceeding specified income thresholds. Similarly, itemized deductions will be limited. For both the personal and dependency exemptions phase out and the itemized deduction limitation, the threshold is \$250,000 for single individuals (\$300,000 for married individuals filing joint federal income tax returns).

Everyone has been hearing about Obama Care. To the individual taxpayer this means that the 2% payroll tax break expired on December 31, 2012. This raises the employee share of Social Security from 4.2% to 6.2%. That will result in everyone's net paycheck being decreased by 2% of your gross wages as of January 1, 2013. High income wage earners, those earning \$200,000 or more on their W-2, will have an additional .9% Medicare tax added on their personal tax return.

Also starting January 1, 2013, high income earners (\$200,000 for single taxpayers and \$250,000 for married filing jointly) will be subject to a 3.8% Medicare contribution tax on investment income. Examples of investment income include interest, dividends, rental income and annuity distributions.

Some laws were made temporary, such as: increasing the earned income credit through 2017, the education credits, the \$250 above the line deduction for classroom expenses, as well as the deduction for mortgage interest premiums. Also, sales tax as an itemized deduction, in lieu of state withholding tax, has been extended through 2013.

As far as businesses go, the most significant portion of Obama Care goes into effect in 2014. Employers who do not comply with the law can face penalties which are quite severe. The law states:

- 1) Employers with more than 50 full time employees must cover them for health insurance.
- 2) Part time employees (less than 30 hours per week) are not required to have health insurance.
- 3) Fifty percent bonus depreciation and expanded Section 179 expense limits are extended through 2013.

Due to the terrible effects of Hurricane Sandy, taxpayers that incurred damages that were not covered by insurance can file a casualty claim on either their 2012 tax return or an amended 2011 tax return can be prepared. Our suggestion would be to put in a claim on whichever year your income is lower, because the refund is based upon your adjusted gross income.

Gifting limitations are up to \$14,000 in 2013 and the IRA contribution is \$5,500 which is up from \$5,000. An additional \$1,000 can be contributed for taxpayers fifty years or older.

It is required for a U.S. citizen who has a financial interest in or signature authority over any foreign financial account in a foreign country that exceeds \$10,000 in aggregate value at any time during the calendar year, must report that relationship to the IRS by filing Form TD F 90-22.1 with their Form 1040.

**Federal and New York State electronic filing is no longer optional; it is mandatory.** Please be prepared to provide us with a copy of your personal check, so we can enter your bank routing and account number correctly. We have a policy regarding the payment of all personal tax returns. All tax returns must be paid for in full before being released to the client. If you are receiving your tax return from us by mail, electronic filing **will not be processed** until we receive the signed e-file authorizations and full payment. As a convenience to all our clients, we now accept Visa and MasterCard as payment.

Please note the two websites that will allow you to check on your refund status. New York's website is [www.tax.ny.gov](http://www.tax.ny.gov). On the left side is the "check refund status" box. You will need your social security number, filing status (married jointly/single), and the exact refund amount in order to check the status.

The website to check for federal refunds is [www.irs.gov](http://www.irs.gov). There is a "where's my refund" button on the right hand side that will allow you to check your status. We would appreciate if you could check the status of your returns on your own, but please let us know if there is an unusual problem in receiving it.

Once again, we are only sending out questionnaires **by request**. Please call our office if you would like to receive one. We look forward to hearing from you in the coming weeks.

Sincerely yours,

Ann Aboulafia, CPA  
Diane June, CPA

**ABOULAFIA & JUNE, CPAs P.C.**