

# 2013 Tax Update: Single Filing Status

Sunit Bhalla, CFP®

OakTree Financial Planning

# Recent Laws That Impact Taxes

Patient Protection and Affordable Care Act (March 2010)

American Taxpayer Relief Act (December 2012)

More changes likely

Sequester: Need to cut \$1.2T from the deficit over 10 years

Debt ceiling

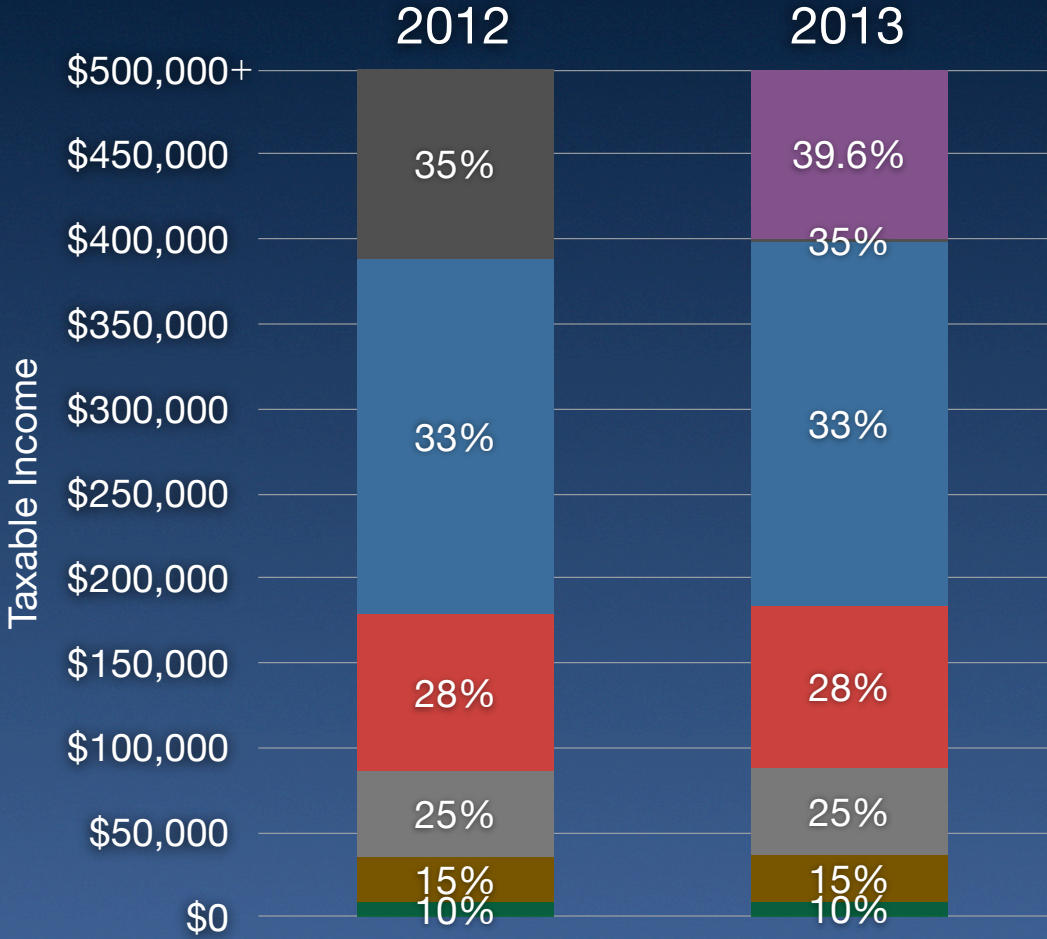
# Themes of the Recent “Fiscal Cliff” Bill

Most tax changes were made permanent

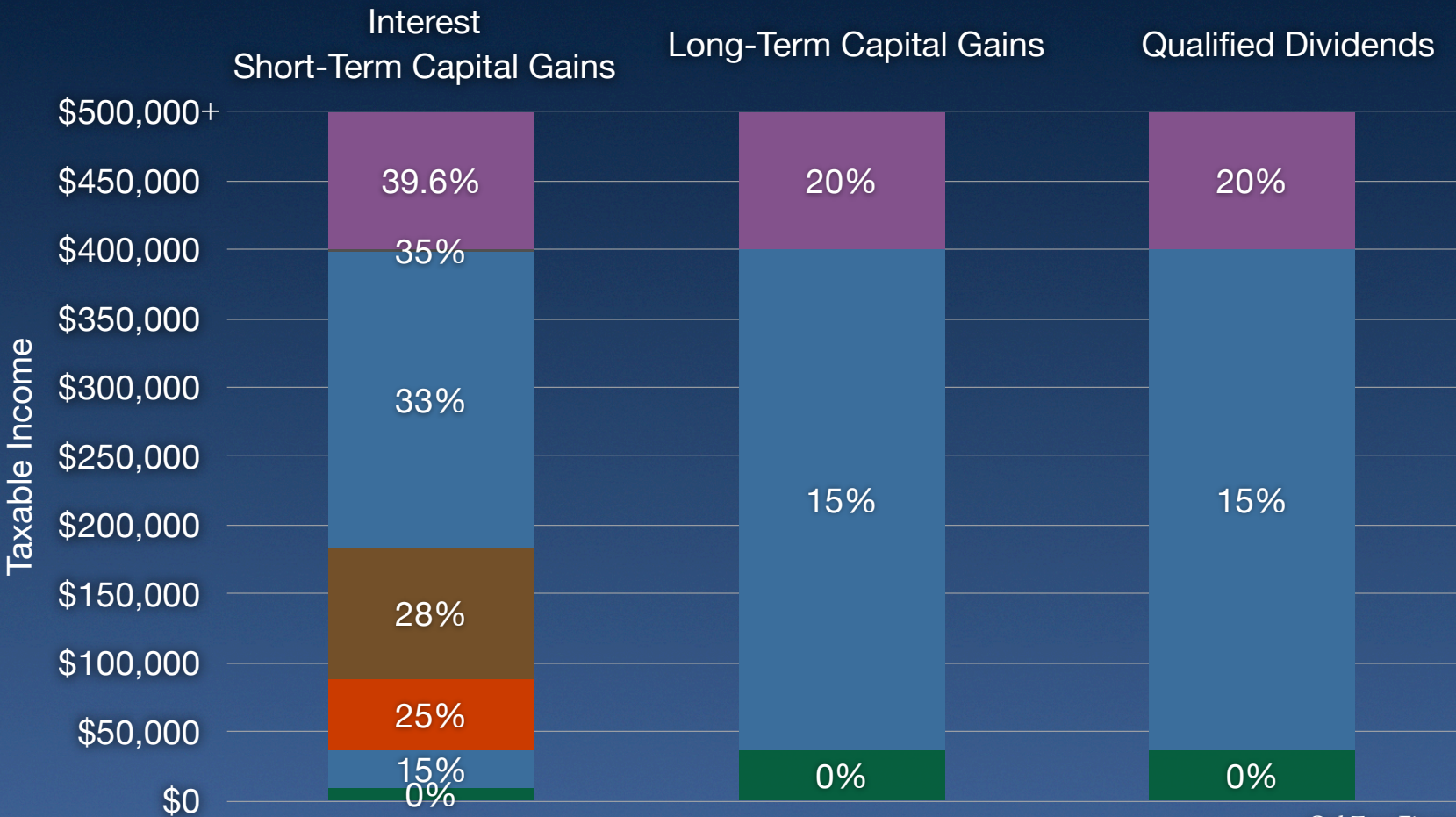
Tax system more progressive (higher taxes on those with higher income)

Higher taxes will be shown in purple

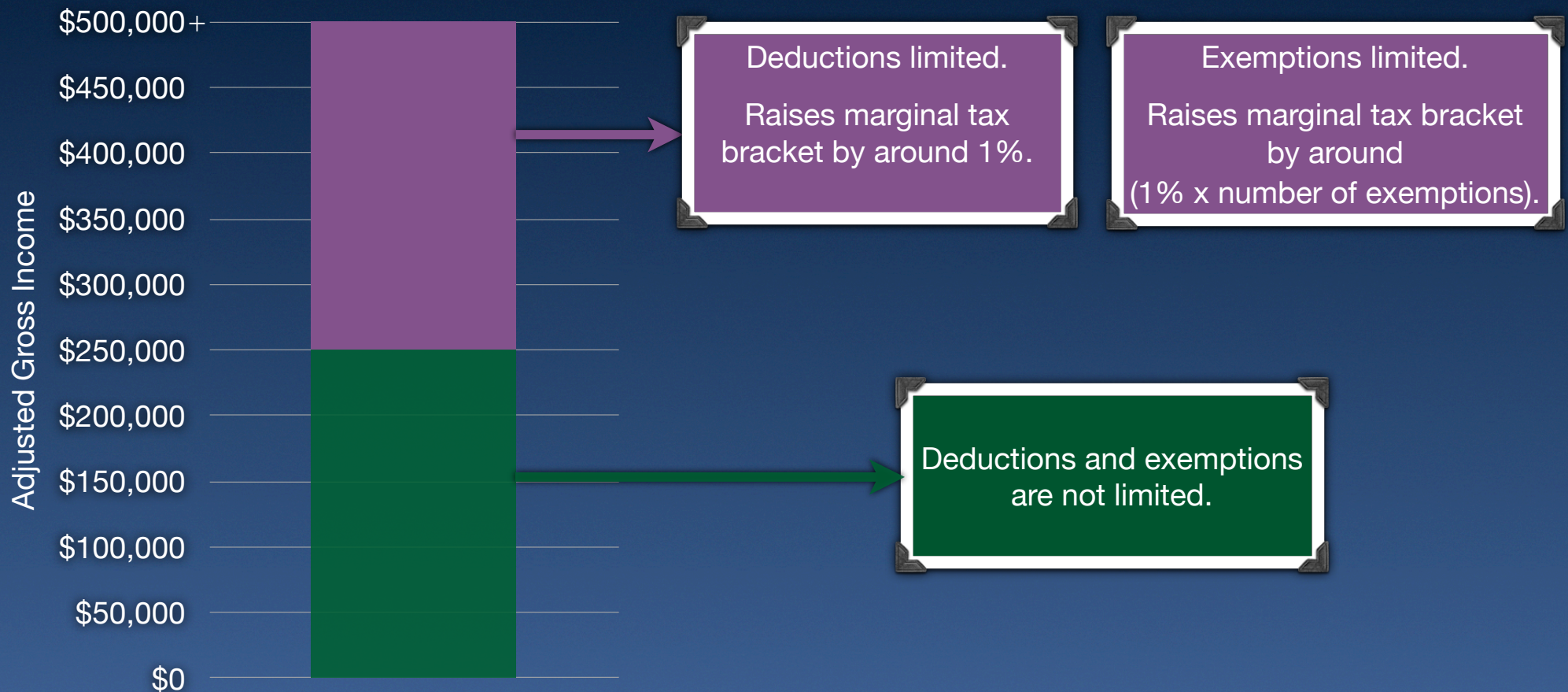
# Tax Rates



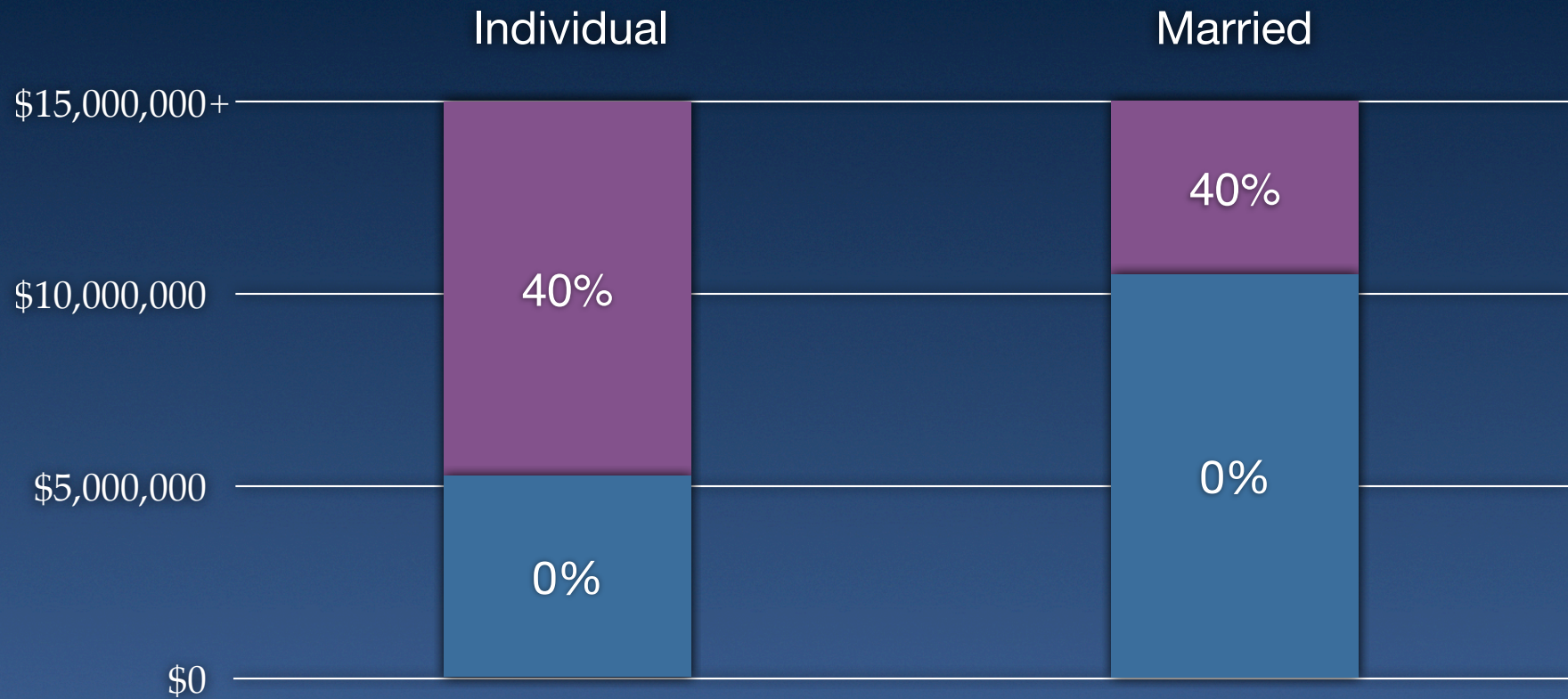
# Capital Gains, Interest, and Dividends



# Phaseouts of Deductions and Exemptions

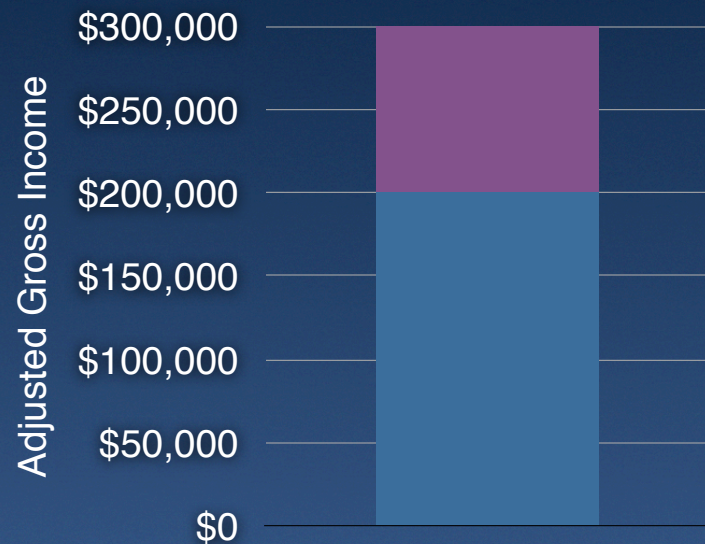


# Estate Taxes



# New 3.8% Medicare Surtax on Investment Income

## 1 Calculate income over \$200,000



## 2 Calculate investment income

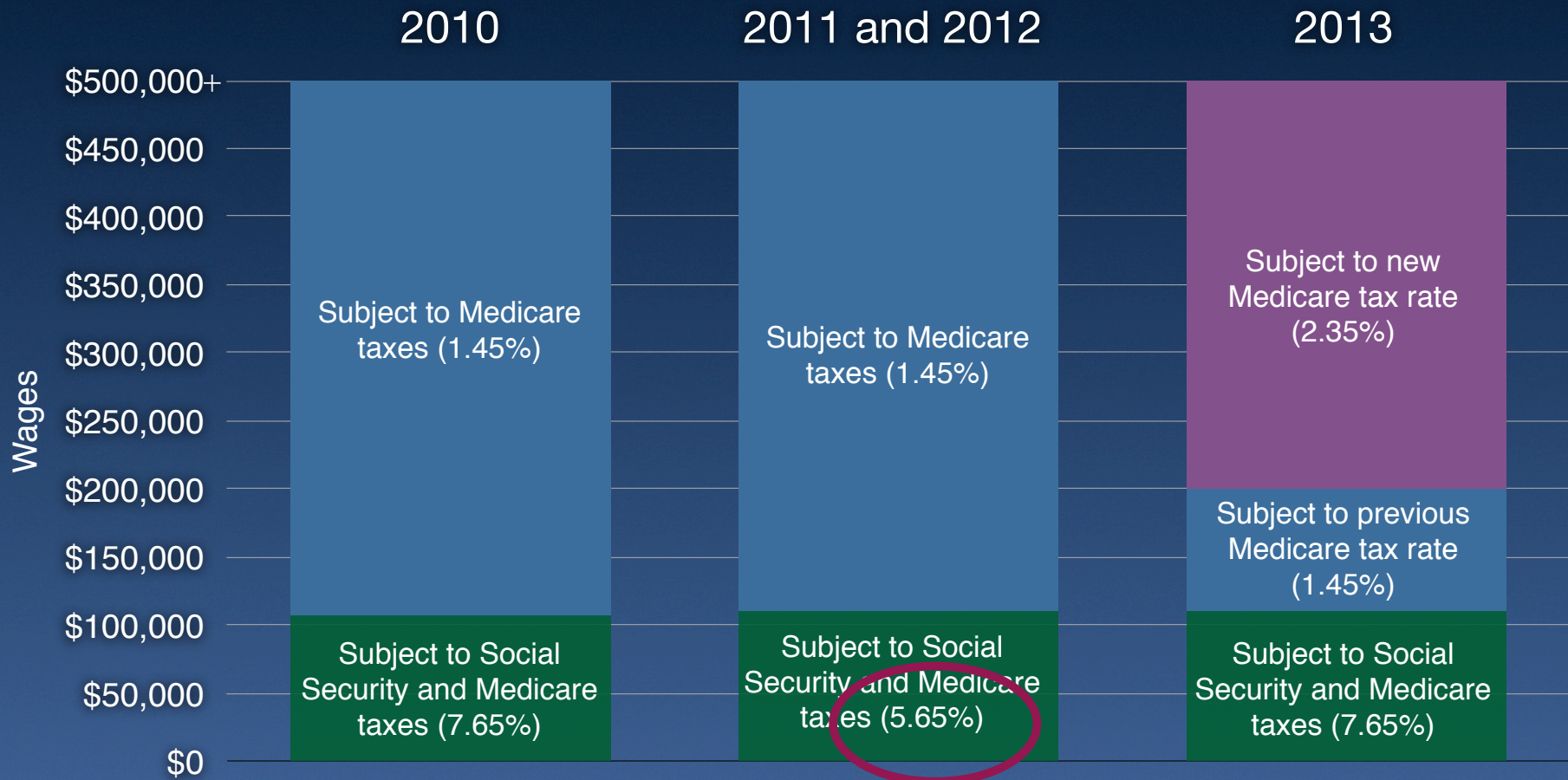
Interest (non-muni), dividends, capital gains, rents, etc.



3 The tax is 3.8% of the **lower** of the two calculated amounts (3.8% x the smaller of the **purple** boxes)



# Social Security and Medicare Taxes



# Alternative Minimum Tax (AMT)

AMT “fix” made permanent

AMT exemption now indexed to inflation

Common AMT triggers

Income greater than \$250,000 (married) or \$200,000 (single)

Being married

Large number of dependents

High income tax states

High property taxes

Large miscellaneous itemized deductions

# Your Tax Impact

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Discussion of tax impact for the client

# Implications of the 2013 Taxes (Simplified)

## Assumptions

Taxable qualified dividend holdings	\$1,000,000
Taxable income holdings	\$25,000
Assumed qualified dividends distribution rate	3%
Assumed interest on income holdings	2%
Number of exemptions	1
Person 1: Wages and bonuses	\$150,000
Person 1: 401(k) and other deductions	\$17,500
Person 2: Wages and bonuses	
Person 2: 401(k) and other deductions	
Other income (options, stock plans, etc.)	\$10,000
Short-term capital gains	\$0
Interest (calculated)	\$500
Long-term capital gains	
Qualified dividends from taxable investment accounts (calculated)	\$30,000
Other income or deductions for AGI	
AGI (calculated)	\$173,000
Deductions	\$35,000
Exemptions (calculated)	\$3,800
Tax credits	\$0
Taxable Income (calculated)	\$134,200
Marginal tax bracket	28.0%

## Impact of New Taxes

Tax Category	Impact
New 39.6% tax bracket	
New 20% rate on LTCG and Qualified Dividends	
New 39.6% rate on STCG and Interest	
Phaseouts of deductions	
Phaseouts of exemptions	
3.8% Medicare surtax	
0.9% Medicare tax rate (Person 1)	
0.9% Medicare tax rate (Person 2)	
Elimination of 2% payroll tax holiday (Person 1)	\$2,260
Elimination of 2% payroll tax holiday (Person 2)	
<b>Total impact</b>	<b>\$2,260</b>