From: Lisa Nason
To: cutiger@nasonandassoc.com
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Nason Way News - January *2013*

Happy New Year!

Greetings! Apologies for an additional e-mail this month, but there are a couple of quick items we wanted to update you on.

IRS Plans Jan. 30 Tax Season Opening For 1040 Filers

Following the January tax law changes made by Congress under the American Taxpayer Relief Act (ATRA), the Internal Revenue Service announced today it plans to open the 2013 filing season and begin processing individual income tax returns on Jan. 30.

The IRS will begin accepting tax returns on that date after updating forms and completing programming and testing of its processing systems. This will reflect the bulk of the late tax law changes enacted Jan. 2. The announcement means that the vast majority of tax filers -- more than 120

million households -- should be able to start filing tax returns starting Jan 30.

The IRS estimates that remaining households will be able to start filing in late February or into March because of the need for more extensive form and processing systems changes. This group includes people claiming residential energy credits, depreciation of property or general business credits. Most of those in this group file more complex tax returns and typically file closer to the April 15 deadline or obtain an extension.

The IRS will not process paper tax returns before the anticipated Jan. 30 opening date. There is no advantage to filing on paper before the opening date, and taxpayers will receive their tax refunds much faster by using e-file with direct deposit.

For most of you , this will not affect your filing as many of you do not try to file until February or later, but please be aware of this , as many of you have children who may want to file sooner to get a refund.

Payroll Update

The 2% reduction in the employee portion of social security taxes was allowed to expire at the end of 2012. Thus, you will see a 2% increase inyour payroll taxes withheld in 2013.

Final Deal Reached for the "Fiscal Cliff"

The recently enacted 2012 American Taxpayer Relief Act is a sweeping tax package that includes, among many other items, permanent extension of the Bush-era tax cuts for most taxpayers, revised tax rates on ordinary and capital gain income for high-income individuals, modification of the estate tax, permanent relief from the AMT for individual taxpayers, limits on the deductions and exemptions of high-income individuals, and a host of retroactively resuscitated and extended tax breaks for individual and businesses. Here's a look at the key elements of the package:

- Tax rates. For tax years beginning after 2012, the 10%, 15%, 25%, 28%, 33% and 35% tax brackets from the Bush tax cuts will remain in place and are made permanent. This means that, for most Americans, the tax rates will stay the same.

However, there will be a new 39.6% rate, which will begin at the following thresholds: $400,000 (single), $425,000 (head of household), $450,000 (joint filers and qualifying widow(er)s), and $225,000 (married filing separately). These dollar amounts will be inflation-adjusted for tax years after 2013.

- Estate tax. The new law prevents steep increases in estate, gift and generation-skipping transfer (GST) tax that were slated to occur for individuals dying and gifts made after 2012 by permanently keeping the exemption level at $5,000,000 (as indexed for inflation). However, the new law also permanently increases the top estate, gift, and GST rate from 35% to 40% It also continues the portability feature that allows the estate of the first spouse to die to transfer his or her unused exclusion to the surviving spouse. All changes are effective fore individuals dying and gifts made after 2012.
- Capital gains and qualified dividends rates. The new law retains the 0% tax rate on long-term capital gains and qualified dividends, modifies the 15% rate, and establishes a new 20% rate. Beginning in 2013, the rate will be 0% if income falls below the 25% tax bracket; 15% if income falls at or above the 25% tax bracket but below the new 39.6% rate; and 20% if income falls in the 39.6% tax bracket. It should be noted that the 20% top rate does not include the new 3.8% surtax on investment-type income and gains for tax years beginning after 2012, which applies on investment income above $200,000 (single) and $250,000 (joint filers) in adjusted gross income. So actually, the top rate for capital gains and dividends beginning in 2013 will be 23.8% if income falls in the 39.6% tax bracket. For lower income levels, the tax will be 0%, 15%, or 18.8%.
- Personal exemption phaseout. Beginning in 2013, personal exemptions will be phased out (i.e., reduced) for adjusted gross income over $250,000 (single), $275,000 (head of household) and $300,000 (joint filers). Taxpayers claim exemptions for themselves, their spouses and their dependents. Last year, each exemption was worth $3,800.
- Itemized deduction limitation. Beginning in 2013, itemized deductions will be limited for adjusted gross income over $250,000 (single), $275,000 (head of household) and $300,000 (joint filers).

- AMT relief. The new law provides permanent alternative minimum tax (AMT) relief. Prior to the Act, the individual AMT exemption amounts for 2012 were to have been $33,750 for unmarried taxpayers, $45,000 for joint filers, and $22,500 for married persons filing separately. Retroactively effective for tax years beginning after 2011, the new law permanently increases these exemption amounts to $50,600 for unmarried taxpayers, $78,750 for joint filers and $39,375 for married persons filing separately. In addition, for tax years beginning after 2012, it indexes these exemption amounts for inflation.
- Tax credits for low to middle wage earners. The new law extends for five years the following items that were originally enacted as part of the 2009 stimulus package and were slated to expire at the end of 2012: (1) the American Opportunity tax credit, which provides up to $2,500 in refundable tax credits for undergraduate college education; (2) eased rules for qualifying for the refundable child credit; and (3) various earned income tax credit (EITC) changes.

As in past years, TJ will be in the office on Tuesdays and Saturdays only for the next few months, so please schedule any appointments with him on those days.

As always, please don't hesitate to let us know if you have questions or concerns about anything mentioned in this newsletter.

Warm regards,

Lisa Nason & TJ Way
Nason Way Accounting LLC
www.nasonway.com

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Nason Way Accounting LLC | 233 Adley Way | Greenville | SC | 29607