

Income Tax Provisions of the American Taxpayer Relief Act of 2012 and Other Recent Legislation CONTINUED

- *State and Local Sales Tax Deduction.* The Act extends a taxpayer's right to claim an itemized deduction for the payment of state and local sales taxes in lieu of state and local income taxes (which benefits taxpayers in states such as Florida that do not have an income tax).
- *Extension of Individual Retirement Account ("IRA") Charity Distributions.* The Act extends for two years the ability of a taxpayer over age 70 ½ to annually distribute up to \$100,000 of an IRA account to public charities.
- *Extension of \$1,000 Per Child Tax Credit.* Without passage of the Act, the child tax credit had been scheduled to drop to \$500 per child.
- *Extension of Various Business Tax Provisions.* A number of small and large business related tax provisions that were set to expire were extended by the Act.

THE PATIENT PROTECTION AND AFFORDABLE CARE ACT ("PPACA")

In 2010, President Obama signed PPACA into law, which overhauled the United States healthcare system. In order to fund the changes, several additional taxes have been added for high income earners as part of PPACA:

- *Additional Medicare Withholding Tax on Wages.* Beginning on January 1, 2013, the employee portion of the Medicare tax increased 0.9% from 1.45% to 2.35% for single filers with incomes over \$200,000 (\$250,000 for joint filers).
- *New Medicare Tax on Net Investment Income.* Beginning on January 1, 2013, a 3.8% tax will be assessed on net investment income (which includes taxable capital gains, dividends, interest, royalties, and rents) for single filers with incomes over \$200,000 (\$250,000 for joint filers).

WHAT YOU CAN EXPECT MOVING FORWARD

Additional tax law revisions are being proposed and it is quite possible that we will see further legislation. In light of the changes already enacted, and those perhaps yet to come, it may be appropriate to consider planning strategies for a high income tax environment that involve

This publication is a summary of legal principles. Nothing in this article constitutes legal advice, which can only be obtained as a result of a personal consultation with an attorney. The information published here is believed accurate at the time of publication, but is subject to change and does not purport to be a complete statement of all relevant issues.