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Check your tax situation before year-end

December 31, 2012, will be a very important date in the lives of taxpayers, because that is the date that many tax-saving provisions are set to expire. Congress has extended many of these provisions on a year-by-year basis. However, as it stands now, many tax-cutting provisions have already expired or will expire. Here are a few of the more important ones that could apply to you.

- **Employee's share of social security taxes.** The employee's share of FICA taxes will return to 6.2% after 2012, up from 4.2%.
- **Income tax rates.** The 10% tax rate bracket will be eliminated, and the top rate will be 39.6% (up from 35%).
- **Long-term capital gains.** The maximum tax on most long-term capital gains will increase from the current level of 15% to 20%. For some low-income taxpayers, the current long-term capital gains rate can be zero. That provision will also be eliminated. Additionally, qualified dividends will no longer be taxed at the long-term gains rates (including the zero rate for lower-income taxpayers). Instead, dividends will be taxed at ordinary income rates as high as 39.6%.
- **Child tax credit.** The current credit, which is \$1,000 for a qualifying child, will be reduced to \$500.
- **Student loan interest deduction.** This deduction will be limited to only the first 60 months that interest payments are made, and there will be a much lower income limit where this deduction can be claimed at all.
- **Section 179 expensing deductions.** The first-year expensing limit and qualifying property limit will be reduced to \$25,000 and \$200,000 (down from the 2012 levels of \$139,000 and \$560,000).
- **Itemized deductions.** Itemized deductions are currently not reduced by the size of your adjusted gross income. That provision will expire, and itemized deductions will again be reduced for higher bracket taxpayers.
- **Estate and gift taxes.** The estate and gift tax rules will revert to those in effect before 2001. That means the maximum estate and gift tax rate will increase to 55% (up from 35%), and the maximum amount of assets to be left to beneficiaries tax-free will be reduced to \$1,000,000 (down from the current level of \$5,120,000).

What can you do to manage your tax bill for 2012 and 2013? You should monitor the tax landscape as Congress returns to Washington. Some of the things that you'll want to examine include the following:

- Should you accelerate income into 2012 in order to take advantage of the current tax rates that may be lower than future rates?

- Should you sell assets that you have held long-term (such as stocks, mutual funds, and property) to take advantage of the expected lower capital gains tax rates in 2012?
- Should you sell dividend-paying stocks since the tax benefit for holding such stock may be eliminated?

Contact us if you would like to review these and other tax issues before year-end.

December deadline for tax-exempt organizations

Here's an important reminder for small nonprofit organizations: If your organization had its tax-exempt status revoked for failing to file an annual return from 2007 through 2009, the IRS is giving you a chance to get reinstated.

The IRS has issued guidance for small organizations with gross annual receipts of less than \$50,000 that will allow them to regain tax-exempt status retroactive to the date of revocation. To qualify for this reinstatement and a reduced application fee of \$100, the organization must submit an application postmarked no later than December 31, 2012.

Contact our office if you need details or filing assistance.

IRS eases reporting requirement on health coverage

The *Affordable Care Act of 2010* included a provision requiring employers to report the cost of coverage under an employer-sponsored group health plan on the employee's 2012 W-2.

However, employers issuing fewer than 250 W-2s will not need to include the cost of health care on W-2s for 2012. For these employers, the 2012 reporting is optional. And such reporting will not apply for future calendar years until the IRS publishes further guidance.

IRS announces 2013 HSA limits

Health Savings Accounts (HSAs) allow taxpayers with high-deductible health insurance to set aside tax-deductible dollars that can be used tax-free to pay unreimbursed medical expenses.

If you have an HSA, you'll be able to contribute more in 2013, thanks to the inflation-adjusted limit recently announced by the IRS. The amount you can set aside in 2013 will increase to \$3,250 for an individual and to \$6,450 for a family. If you're 55 or older, you're allowed an additional \$1,000 contribution.

For 2013, a high-deductible health plan is one with an annual deductible that is not less than \$1,250 for self-only coverage or \$2,500 for family coverage. Annual out-of-pocket expenses cannot exceed \$6,250 for self-only coverage or \$12,500 for family coverage.

Welcome Our New Employee Zachary Bohn

Zachary Bohn, an accounting major at Wright State University is joining S J Meyer & Associates as an intern. Zach, a Northmont High School graduate, will be graduating Spring of 2014 with a Bachelor of Science in Accounting and a Minor in Management Information Systems. We are looking forward to Zach joining our team.