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SUGGESTIONS FOR PRESERVING WEALTH

2013 TAX CHANGES

Gardner, Willis, Sweat & Handelman, LLP hopes you find the information in this newsletter helpful. This information is intended to be general in nature and is not a substitute for competent legal advice. Because every issue is unique, we do not recommend that you apply the information in this newsletter without first seeking appropriate legal advice.

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At Gardner, Willis, Sweat & Handelman, we offer a wide range of services including Banking; Bankruptcy; Business Law; Construction Law; Employment Law; Estate and Tax Planning; General Litigation and Appeals; Governmental Law; Real Estate; Trucking Litigation, and Workers' Compensation. Sherman Willis, our Managing Partner, is available to speak with you about your unique needs in these and other areas. For a consultation with Sherman, please call at 229-883-2441, or e-mail him at:

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Both the House and Senate approved a tax bill on January 1, 2013 that makes permanent the 2001 and 2003 tax cuts on taxable income under \$400,000 for single taxpayers and \$450,000 for married tax-payers. The automatic expense cuts have been deferred for two months. They are to become effective simultaneously with the Treasury reaching its borrowing limit again. The new Congress will have to address this lingering issue.

Turning to specific provisions of the new law, the bill preserves tax rate cuts for only taxable income under \$400,000 (single), \$425,000 (head of household), and \$450,000 (married). Above these amounts, rates will increase from 35% to 39.6%, and the rates on dividends and capital gains will increase from 15% to 20%. The new tax bill will also reinstate the personal exemption phase-out and the phase-out of itemized deductions on AGI of \$250,000 (single), \$275,000 (head of household), and \$300,000 (married). These two phase-outs were eliminated for all taxpayers from 2010 through 2012.

The new 3.8% Medicare tax on investment income and 0.9% tax increase on earned income will take effect at AGI levels of \$200,000 (single) and \$250,000 (married). Estates and trusts are subject to the tax increase at the same point they are subject to the maximum income tax rate (\$11,950 in 2013).

The new tax law makes permanent the estate, gift and generation-skipping transfer tax rules for 2011 and 2012, but increases the top unified rate to 40%. The bill generally provides a reunification of estate and gift taxes with a \$5,000,000 exemption adjusted for inflation (\$5,120,000 in 2012), identical rates and exemption for the generation-skipping transfer tax, and portability in estate tax exemption amounts between spouses.

The law increases alternative minimum tax exemptions for 2012 and then permanently indexes them for inflation. The alternative minimum tax was never previously indexed for inflation, so representatives had typically enacted one - or two - year "patches" manually increasing the exemption. The new 2012 figures represent a slight increase over 2011 and will be the basis for future automatic inflation adjustments. The alternative minimum tax exemption will continue to be reduced by an amount equal to 25% of the amount that one's alternative minimum taxable income exceeds \$112,500 (single) or \$150,000 (married). As stated above, the 2012 alternative minimum tax exemption amount of \$50,600 (single) and \$78,750 (married) will be adjusted for inflation going forward.

Finally, the new law extends certain provisions contained in previous economic stimulus bills. This includes retroactive extensions for 2012 of enhanced Section 179 expensing limits, 100% exclusion for qualified small business stock, and the reduced 5-year holding period for S corporation built-in gains.

There is a reduced 5-year holding period for S corporation built-in gains for dispositions through the end of 2013. Also, the Section 179 expensing limit is \$500,000 with a \$2,000,000 phase-out threshold. The new bill provides for 50% bonus depreciation for property placed in service in 2013.

This newsletter was prepared by Glenn Booker. Glenn's practice centers around estate planning for property transfers and estate/trust administration. He also specializes in appraising closely-held business interests. Glenn advises clients on complex accounting and finance issues, yet his conversational approach enables him to explain such issues in simple and understandable terms. You may contact Glenn at (229) 883-2441 or e-mail him at glenn.booker@gwsh-law.com.

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