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GARDNER WILLIS SWEAT & HANDELMAN, LLP
ATTORNEYS AT LAW

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SUGGESTIONS FOR PRESERVING WEALTH

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.

We publish various newsletters regarding other areas of law. Please contact us for more information or e-mail us at gwsh@gwsh-law.com if you prefer to receive our newsletters electronically.

Visit our website at: www.gwsh-law.com

Free Seminars Available

If you and your employees are interested in learning more about a particular legal topic, we would be happy to provide a seminar on such topic at no charge. The seminar can be at your business location or at our firm's location in Albany.

Examples of seminars:

- General Banking Law
- Legal Issues in Agriculture
- Workers' Comp Overview
- Return to Work-Workers' Comp
- Sexual Harassment
- Americans with Disabilities Act
- Family and Medical Leave Act
- Negligent Hiring
- Estate Planning

TAX PLANNING OPPORTUNTIES

As we approach the end of 2012, we wanted to alert you to a number of favorable federal tax provisions that are set to expire at the end of the year and to provide you with a brief notice regarding new taxes that are scheduled to take effect in 2013 absent action by Congress and the President.

For federal income tax purposes, the top individual federal income tax rate for 2012 is 35%. This rate is scheduled to increase to 39.6% for 2013. Capital gains and dividends for 2012 are taxed at a maximum 15% (0% for taxpayers in the 10% and 15% income tax brackets). The capital gains tax rate is scheduled to increase to 20% in 2013 and dividends are scheduled to be taxed at ordinary income rates in 2013 (with the top income tax rate scheduled to increase to 39.6%, as mentioned above). Accordingly, it may be a good idea to accelerate income into 2012 in order to secure the lower rate advantages discussed above.

For estate planning purposes, the top federal estate tax rate in 2012 is 35% and the estate tax exemption amount is $5,120,000 per person. The top federal estate tax rate in 2013 is scheduled to increase to 55% and the exemption is scheduled to decline to $1,000,000 per person.

The top federal gift tax rate for 2012 is 35% and the lifetime gift tax exemption amount is $5,120,000 per person. The top federal gift tax rate in 2013 is scheduled to increase to 55% and the lifetime gift tax exemption amount is scheduled to also fall to $1,000,000 per person. In addition to the foregoing, the first $13,000 of gifts by a donor each year to each donee is excluded under the annual gift tax exclusion. Furthermore, there remains an unlimited gift tax exclusion for qualifying educational and medical payments.

The federal generation-skipping transfer tax rate in 2012 is 35% and the generation-skipping transfer tax exemption amount is $5,120,000 per person. The federal generation-skipping transfer tax rate is scheduled to rise to 55% in 2013 and the exemption amount is scheduled to fall to approximately $1.3 million per person.

Based upon the $5,120,000 per person exemption amounts, there is a window of opportunity for wealthy individuals to gift assets to children and grandchildren without gift tax or generation-skipping transfer tax; however, such gifts must be made before the end of this year.

As part of the major Health Care Reform legislation passed in 2010, new Medicare taxes are scheduled for 2013 for high-income individuals (individuals making more than $200,000 a year or $250,000 for married couples). A new 3.8% tax will be applied to unearned income. This new tax will apply to capital gains, dividends, interest and rental income for high-income taxpayers. In addition, a new 0.9% tax will apply to the earned income (i.e., salaries, wages) of high-income earners. These additional taxes can potentially push the effective federal tax rate for certain high-income taxpayers to over 44%. For appreciated assets that can be sold at capital gains rates, a disposition by certain high-income individuals in 2012 instead of 2013 could potentially save 8.8% in federal taxes (due to the 2013 5% rise in capital gains rates and new 3.8% tax on unearned income).

Because many of the federal tax laws are the result of political influences, this years elections should be closely watched as the outcome could significantly affect any modifications to the significant changes in federal tax laws scheduled for next year.

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.