



ED SLOTT'S IRA ADVISOR

© 2013 Ed Slott, CPA

February 2013

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

American Taxpayer Relief Act of 2012

On January 2, 2013, the President signed the **American Taxpayer Relief Act of 2012** (ATRA) into law. The new tax law extends many of the favorable tax breaks clients have had for years. It also brings back qualified charitable distributions for 2012 and 2013 and improves access to in-plan Roth IRA conversions. In addition, there are several "stealth" tax increases created by limiting itemized deductions and exemptions for high income individuals.

To make planning even more taxing - pun definitely intended - the 2013 healthcare taxes on net investment income and earned income now kick in for certain high income clients. This is fertile tax planning ground for both financial planners and CPAs.

Who is Wealthy?

ATRA combined with the 2010 healthcare tax acts now create three different income thresholds that high income clients need to plan around. To make matters even more confusing, there are four different ways income is

calculated to compare against the three threshold amounts that can possibly impact a client.

\$450,000/\$400,000

For ordinary income tax purposes, joint filers whose **taxable income** exceeds \$450,000 and single filers whose taxable income exceeds \$400,000 will face a new top tax bracket of 39.6% and a top long-term capital gain and dividend tax rate of 20% (which actually becomes 23.8% after adding the 3.8% surtax on net investment income).

\$300,000/\$250,000

Itemized deductions of joint filers with **AGI** in excess of \$300,000 and single filers with AGI in excess of \$250,000 will begin to phase-out, up to a maximum of 80%. Personal exemption phase-outs will also affect the same filers at the same income thresholds.

\$250,000/\$200,000

For the net investment income surtax, joint filers with **MAGI** in excess of \$250,000 and single filers with MAGI in excess of \$200,000 will begin to have

WHAT'S INSIDE?

American Taxpayer Relief Act of 2012

- Who is Wealthy?

- Pages 1-2

Qualified Charitable Distributions are Back for 2012 and 2013

- Special Rules for 2012 QCDs
- QCDs Made in 2012 Are OK
- 2013 QCDs
- 2012/2013 QCD Tax Reporting Inconsistencies
- Advisor Action Plan

- Pages 2-4

2013's New In-Plan Roth Conversion Rules

- It's a Revenue Raiser!
- Who Can Make In-Plan Conversions Now?
- Determining Factors for In-Plan Roth Conversions
- Caution! No Recharacterizations for In-Plan Roth Conversions
- Clients Who Can Benefit from In-Plan Roth Conversions

- Pages 4-6

2013 Retirement Plan Contribution Limits Chart

- Page 7

TAKE ADVANTAGE OF NEW TAX LAW

Ed Slott's Exclusive 2-Day IRA Workshop

INSTANT IRA SUCCESS

MARCH 11-12, 2013 — ORLANDO

RECEIVE 400+
Page Manual,
CE Credits

