



# 2013 TAX CHANGES

TAX LAW	IN EFFECT THROUGH DEC. 31, 2012:	WILL CHANGE JAN. 1, 2013, TO:
Payroll tax rate	4.2 percent withheld from employees' paychecks	6.2 percent withheld from employees' paychecks
Individual income tax rates	Six income brackets taxed at rates of 10 percent, 15 percent, 25 percent, 28 percent, 33 percent and 35 percent	Five income brackets taxed at rates of 15 percent, 28 percent, 31 percent, 36 percent and 39.6 percent
Capital gains and qualifying dividends tax rates	Most capital gains are taxed at 15 percent. Investors in the 10 percent and 15 percent tax brackets do not owe any capital gains on profits from asset sales. Qualified dividends receive the same treatment as capital gains.	Top capital gains rate for most investors will be 20 percent. The zero capital gains rate will return to 10 percent. Dividends will be taxed as ordinary income, meaning the top rate could be 39.6 percent.
Marriage tax	Standard deduction for a married couple filing a joint return was increased to twice the standard deduction for an unmarried individual filing a single return. Similar doubling increases were made to the 10 percent and 15 percent tax brackets.	The standard deduction for married couples will be, according to calculations from the tax publisher CCH, 167 percent of the single filer's deduction rather than 200 percent. There will no longer be a 10 percent income bracket and greater disparities between single and jointly filing couples will return.
Exemptions	Taxpayers, regardless of income, are allowed to claim full annual exemption amounts for themselves and dependents.	Personal exemption phaseout would return, reducing or eliminating this deduction for higher-income taxpayers.
Itemized deductions	Expenses claimed on Schedule A are not limited regardless of taxpayer income.	Total amount of a higher-income taxpayer's itemized deductions will be reduced by 3 percent of the amount that the taxpayer's adjusted gross income exceeds an annual threshold.
Child tax credit	\$1,000 for each qualifying dependent child.	\$500 for each qualifying dependent child.
Child and dependent care tax credit	Care expenses of up to \$3,000 for one child and \$6,000 for two or more dependents are allowed. The credit is between 20 percent and 35 percent of those amounts, based on taxpayer income.	Allowable care expenses will be reduced to a maximum of \$2,400 for one child and \$4,800 for two or more dependents. The credit will be between 20 percent and 30 percent of those amounts, based on taxpayer income.
Estate tax	Estates worth less than \$5.12 million are not taxed. Estates worth more than that are taxed at 35 percent. That tax rate also applies to applicable gift taxes.	Estates worth more than \$1 million will be taxed at 55 percent. That tax rate also applies to applicable gift taxes.

\*Read more: <http://www.bankrate.com/finance/taxes/fiscal-cliff-expiring-tax-laws.aspx#ixzz2DYSsiPNe>

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