

UPCOMING TAX LAW CHANGES ???

We should continue to enjoy relatively low Federal taxes through the end of the year since the so-called Bush tax cuts are still in place. But next year, who knows what the tax laws will be since the Bush tax cuts automatically expire December 31, 2012, unless Congress takes action.

There are other automatic changes, the so-called payroll tax holiday which is a 2% Social Security tax rate

reduction is also set to expire December 31, 2012.

And there are more changes already set to be effective January 1, 2013 as a result of Obama's 2010 healthcare law recently upheld by the Supreme Court. It imposes an additional 0.9% Medicare tax on salaries and self-employment income earned by high income individuals. It also calls for a 3.8% Medicare tax on investment income earned by higher income people.

Many people think that only those who occupy the top two federal income tax brackets will face higher taxes once the Bush tax cuts expire on December 31, 2012, but that is not true. Tax rates

in general and tax rates on capital gains and dividends are currently scheduled to go up for everyone, not simply the rich.

We will see the return of phase outs for itemized deductions and personal exemptions for wealthier tax payers. Each has different levels of income for the phase outs to begin.

The time to think about tax planning is now. Plan for the worst and hope for the best, but be prepared to act after the November 6, 2012 election.

For tax planning assistance, please contact me or one of the Crosslin & Associates tax professionals at (615) 320-5500.



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