

# 2012 American Taxpayer Relief Act

## General

Congress passed extender legislation that allowed the nation to avert the fiscal cliff. The Senate and House of Representatives each approved H.R. 8, the American Taxpayer Relief Act, on January 1, 2013. The President is expected to quickly sign the bill into law.

## Summary of provisions

- Income tax rates go from 35% to 39.6% for individuals earning more than \$400,000 (\$450,000 for joint filers, \$425,000 for heads of household);
- The 2% payroll tax cut has been allowed to expire;
- The alternative minimum tax (AMT) patch (higher exemption amounts and personal credits allowed to offset regular tax and AMT) has been made permanent;
- Dividend and capital gain rates increase from 15% to 20% for individuals making at least \$400,000 (\$450,000 for joint returns);
- The Personal Exemption Phaseout (PEP) is now reinstated at threshold levels of \$300,000 for joint filers and surviving spouses; \$275,000 for heads of household; \$250,000 for single filers; and \$150,000 for married taxpayers filing separately;
- The "Pease" limitation on deductions is now reinstated at threshold levels of \$300,000 for joint filers and surviving spouses; \$275,000 for heads of household; \$250,000 for single filers; \$150,000 for married taxpayers filing separately;
- For estate, gift, and generation-skipping transfer (GST) tax purposes and individuals dying and gifts made after 2012, there is a \$5 million exemption and the top rate increases from 35% to 40%;
- Tax credits for businesses, including the research credit and the domestic production activities deduction, are generally extended through the end of 2013;
- A group of individual tax measures have been retroactively extended through 2013;
- There is a five-year extension of credits, including the college tuition credit, earned income credit and the child tax credit, that were enhanced as a result of the stimulus act; and
- Various energy credits were extended.

## Internal Revenue Service

The IRS is currently reviewing the details of this week's tax legislation and assessing what impact it will have on this year's filing season. The IRS will soon make available additional information on when taxpayers can start filing 2012 tax returns.