



## January 2013

In this issue:

### Check Your 2013 Pay Stub

### Breaking News: The AMT Patch Gets Permanently Mended

### Do You Have Your Health Insurance?

Contact:

support@tenenz.com  
Phone: 800-888-5803  
Fax: 800-638-0015  
www.tenenz.com

This month:

- ✓ **January 15<sup>th</sup>:**  
4th quarter estimated tax payment due
- ✓ **Action Items:**  
Start gathering 2012 tax information  
Review 2013 W-2 withholdings  
Set 2013 financial goals

Past Issues:

Current  
December 2012  
November 2012  
October 2012  
September 2012  
August 2012  
July 2012  
June 2012  
May 2012

### Back to January 2013 Newsletter

Last year's intense last minute debate out of Washington focused on an extension of the Social Security tax cut into 2012. Would this year be any more calm? Would 2012 tax laws be locked in place before the end of the tax year? What is going to happen to tax laws in 2013?

Long gone are the days when taxes were a simple calculation to ensure there was enough revenue to cover the desired federal programs. Now it seems each section of the code is a political and/or social statement. While our leaders continue to grapple with answers, here are some things to consider to make your situation a little better.

### Check Your 2013 Pay Stub



As you buckle down and try to make plans to accomplish your 2013 resolutions, don't forget to conduct an annual review of your paycheck. Given the uncertainty of 2013 tax laws, you may need to prepare yourself to conduct this review on numerous occasions throughout the year. Here are some items to review:

- ▶ **Conduct a Social Security tax calculation.** It should return to 6.2% of your pay. This is an increase of 2% from 2012.
- ▶ **Review insurance withholdings.** Many employers adjust the amount you pay for your benefits at the start of each year. Check to make sure the proper amount is being withheld.
- ▶ **Is anything missing?** If you signed up for a Health Care Savings account, Dependent Care, or other elective benefits please make sure they are noted on your pay stub.
- ▶ **Retirement Plans.** Also check to ensure contributions for any employer provided retirement plans are properly noted. If there is an employer contribution to your plan, make sure this is noted as well.
- ▶ **Update your withholdings.** Make sure you have enough being withheld for Federal and State tax purposes. File a new W-4 with your employer if you have not already done so.

The biggest change beginning in 2013 may be the 2% reduction in your take-home pay because of the reset in Social Security taxes. Adjust your spending to ensure you cover this drop in available income. But please remember when Congress reconvenes in early 2013, they are sure to continue discussing extending tax benefits throughout calendar year 2013.

### Breaking News: The AMT Patch Gets Permanently Mended

[?]

The Alternative Minimum Tax (AMT) is a classic example of the problem we face when Washington D.C. passes temporary tax legislation. For the past ten plus years, our legislators have passed bills that extend a patch to this parallel income tax calculation within our tax code. In the few hours of January 1st, 2013 a permanent fix to the AMT was passed by Congress. This change impacts 2012 tax returns.

#### Background of AMT

The AMT is a separate income tax calculation that adds back several common deductions to your taxable income AND then applies a separate tax rate to this adjusted income. You must pay either your normal income tax OR the AMT tax, whichever is higher. The AMT calculation was originally intended to ensure the wealthiest Americans pay a minimum percent of income in federal taxes. But over time, because it is not adjusted for inflation, the AMT has come to snare middle-income taxpayers. Ironically, the wealthiest are no longer impacted by AMT as normal income tax rates



are higher than the AMT rates of 26% or 28%. Without the Congressional action on January 1st it was estimated that over 20 million more people would be subject to the AMT in 2012.

### What is happening now?

Rather than overhaul the Alternative Minimum Tax, Congress typically elects to raise the exemption level each year to keep the vast middle class from being impacted. The bill being signed into law does two things:

1. It raises the AMT exemption amounts retroactively for 2012. This effectively patches the tax code and keeps the tax surprise from hitting the 20+ million additional taxpayers.
2. It makes the patch permanent and the exemption thresholds are automatically adjusted for inflation.

### NEW 2012 Law

Filing Status	Single/HOH	Married/Joint	Married Separate
AMT exemption	\$50,600	\$78,750	\$39,375
Income phase-out	112,500-314,900	150,000-465,000	75,000-232,500

### Old Law (2011-2012)

Filing status	2011			2012		
	Single/HOH	Married/Joint	Married/Sep.	Single/HOH	Married/Joint	Married/Sep.
<b>Exemption</b>	\$48,450	\$74,450	\$37,225	\$33,750	\$45,000	\$22,500
<b>Income phase-out</b>	112,500 - 306,300	150,000 - 447,800	75,000 - 223,900	112,500 - 247,500	150,000 - 330,000	75,000 - 165,000

- ✓ The Exemption amounts are a level of income that is excluded from the AMT calculation. Amounts above the exemption are subject to a static 26% AMT tax rate. AMT adjusted income in excess of \$175,000 is subject to a flat 28%.
- ✓ Notice there is a significant Marriage penalty in the AMT calculation.
- ✓ The top marginal income tax rate in 2012 is 35%. This rate is going to 39.6% in 2013. That is why the AMT no longer impacts most wealthy taxpayers.
- ✓ Some of the main add-backs to your regular income for the separate AMT calculation are: state & local taxes paid, mortgage interest on home equity debt, miscellaneous expenses, medical expenses, net operating losses and investment expenses.

### What does this mean?

Millions of Americans can breathe a collective sigh of relief that the AMT tax surprise will not be a surprise to them when filing their taxes this year.

## Do You Have Your Health Insurance?

### Time to be thinking about health insurance

The health care legislation commonly known as Obama Care has many provisions that are being implemented over a number of years. As we start 2013, it is wise to once again review the major changes impacting individuals for this year and next.

#### 2013

- Income for those earning more than \$200,000 unmarried or \$250,000 married filing joint will be subject to a .9% additional Medicare tax. The normal 1.45% employee Medicare tax will increase to 2.35%.
- In addition, if you have unearned income above the \$200,000 single (\$250,000 married filing joint) it could be subject to a 3.8% Medicare tax. Unearned income includes dividends, annuities, rent, royalties, interest and many capital gains.

#### 2014

Everyone will be required to have health insurance. If you do not, you will be subject to a tax penalty. The penalty will commence on January 1, 2014. The initial penalty will be \$95 per individual, \$285 per family or 1% of your income whichever is greater. There is also a potential penalty to employers who fail to offer employees health care insurance.

### Here is what you should know.



### Additional Medicare Taxes



**How does your employer know?** It is very possible that neither you nor your spouse will individually surpass the payroll threshold of \$250,000 to have your employer pull out the additional tax for Medicare. But added together you may need to pay this new tax. If this happens to you, be prepared to pay additional Medicare tax on next year's 1040.



**Late payment penalties?** In all likelihood there will not be penalties for under withholding to account for this additional Medicare tax. If you are concerned, consider adjusting your payroll withholdings to account for this tax change.

### Health Care Requirement



**Every state is required to have an insurance exchange.** This exchange is to be a place where everyone can view health insurance options. It will allow individuals and small businesses a place to compare and shop for qualified insurance programs.



**No pre-existing condition limitation.** You can no longer be refused insurance coverage because of a pre-existing condition or be charged an incremental premium based on health or gender.



**Buy or pay the penalty?** Hopefully, not many will be faced with this dilemma. Why? Part of the health insurance bill is the requirement for most small businesses to offer a qualified health insurance plan. There are other exceptions to the penalty.

- If you have to spend more than 8% of your household income on the cheapest health care insurance premiums there is no penalty.
- There will be subsidies if you cannot afford health care insurance. This will be in the form of an advance tax credit if your household income is between 100 and 400 percent of the federal poverty level.



**Start looking now.** If you will need to get health care insurance or face a fine, shop for alternatives as soon as possible. With proper planning you should be able to avoid the unpleasant task of facing a tax penalty in 2014.

As always, should you have any questions or concerns regarding your situation please feel free to call.

*This publication provides summary information regarding the subject matter at time of publishing. Please call with any questions on how this information may impact your situation. This material may not be published, rewritten or redistributed without permission, except as noted here. This email includes, or may include, links to third party Internet Web sites controlled and maintained by others. When accessing these links the user leaves this email.*

*These links are included solely for the convenience of users and their presence does not constitute any endorsement of the Websites linked or referred to nor does Tenenz, Inc. have any control over, or responsibility for, the content of any such Websites. All rights reserved.*

This newsletter is provided by  
Tenenz, Inc.  
Low Cost High Quality Tax and Accounting Products  
1100 East 80th Street  
Minneapolis, MN 55420  
support@tenenz.com  
Phone: 800-888-5803  
Fax: 800-638-0015  
www.tenenz.com