

American Tax Relief Act of 2012

The Senate and House have passed the Tax Relief Act of 2012 and President Obama has said he will sign it. Some of the highlights of the bill are:

1. Permanent extension of the lower tax brackets for individual tax payers (10%, 15%, 25%, 28%, 33% and 35%)
2. Increase in income tax rates to 39.6% for single taxpayers and married taxpayers whose taxable income is above \$400,000 and \$450,000, respectively
3. Permanent increase in Alternative Minimum Tax exclusion with inflation adjustments
4. Itemized deduction and personal exemption phase outs for individual taxpayers with adjusted gross income exceeding \$250,000 for single and \$300,000 for married
5. Permanent increase in the estate exemption to \$5,000,000 per person with inflation adjustments
6. Increase in the estate tax rate from 35% to 40%
7. Permanent extension of the 15% capital gain rate for qualifying assets except for taxpayer with taxable income above \$400,000 for singles and \$450,000 for married couples
8. The following provisions have been extended thru 2013
 - \$250 above the line deduction for school teacher supplies
 - Mortgage insurance premium deduction
 - Sales tax deduction
 - Qualified tuition deduction
 - Tax free distributions from IRAs to Charities
 - 15 year class life for leasehold improvements, and restaurant and retail improvements
 - Sec 179 deduction has been increased to \$500,000 for **2012** and 2013
 - 50% bonus depreciation on New Assets
 - Built in gains tax on S Corporation conversions is limited to 5 years

Please note that the term “Permanent” as used in this bill is relative. A subsequent bill can change any of the provisions.

Also note that NO significant spending cuts were made as a part of these negotiations.