Alert

Congress Approves Fiscal Cliff Solution - President Signs Into Law

January 3, 2013

Early on Jan. 1, 2013, Congress approved, the "American Taxpayer Relief Act." The President signed the bill into law late on January 2, 2013. Major tax highlights include:

- The income tax rate increases from 35% to 39.6% for individuals making more than $400,000 a year and joint filers making more than $450,000 a year;
- The 2% reduction in the Social Security tax will be allowed to expire, resulting in an employee's share of Social Security tax increasing from 4.2% up to 6.2%;
- The higher exemption amounts for the alternative minimum tax (AMT) are made permanent. In other words, the so-called "patch" is here to stay;
- The top tax rate on dividends and capital gains is increased from 15% to 20% for individuals making more than $400,000 a year and joint filers making more than $450,000 a year;
- For estate tax purposes, there is a $5 million exemption (adjusted for inflation), and the top estate tax rate is permanently increased from 35% to 40%. Further, the portability feature that allows the estate of the first spouse to die to transfer his or her unused exclusion to the surviving spouse is continued;
- Tax credits for businesses, including the Internal Revenue Code Section 41 research credit and the Internal Revenue Code Section 45D new markets tax credit, are generally extended through the end of 2013;

There are also various other tax provisions applicable to individuals and businesses. For more information please contact **Michael Fellerman** at 301-961-5171 or mfellerman@linowes-law.com.

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