



ABG Newsletter

9th January 2013

U.S.A. Fiscal Cliff Resolution Headlines..

For the benefit of our American clients in the U.K., our British clients in the U.S.A. and all American clients of our International Schools and Humanities Division.

- Raises the top tax rate to 39.6% for married couples earning \$450,000; single taxpayers earning \$400,000. These amounts will be indexed for inflation. Raises long-term capital gains and qualifying dividends tax rate to 20% (from 15%) for taxpayers in the 39.6% tax bracket for regular and alternative minimum tax.
- Permanently extends the Bush-era tax cuts from 2001 and 2003 for all other taxpayers.
- Reinstates the phase-out of personal exemptions and the overall limitation on itemized deductions for married couples filing jointly earning over \$300,000 and single taxpayers earning over \$250,000.
- Real estate provisions--extends through 2013: relief from cancellation of debt income for principle residence, the deduction for mortgage insurance premiums as interest, and the energy efficient credit for existing homes.
- Extends for 5 years (through 2018) the American Opportunity Tax Credit to pay for higher education, and special relief for families with 3 or more children for the refundable portion of the child tax credit and increased percentage for the earned income tax credit.
- Fixes the Alternative Minimum Tax (AMT) by permanently increasing the exemption amount and adjusting it for inflation going forward.
 - Extends through 2013 the following individual tax benefits: above the line deduction for teacher expenses, election to deduct state and local sales taxes in lieu of income taxes, above the line deduction for qualified education expenses, tax-free distributions from IRA accounts for charitable purposes.
 - Extends through 2013 certain business tax provisions that expired at the end of 2011 including: the research credit, work opportunity credit, the Section 179 asset expensing at \$500,000, Section 1202 stock exclusion at 100%, and 50% bonus depreciation.
 - Extends through 2013 certain energy tax incentives that expired at the end of 2011 including: alternative fuel vehicle refueling property credit, biodiesel and renewable diesel incentives, wind credit, energy efficient credit for new homes, and credit for manufacture of energy efficient appliances.
 - Sets the estate and gift tax rate at 40%--up from 35% in 2012--and permanently indexed the \$5 million per person exemption level to inflation.
 - Portability of the estate tax and gift tax was also extended. Under the portability rules, a spouse is allowed to use the unused estate and gift tax exemption amounts of a deceased spouse.



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- The bad news is that the USA tax code is getting more complicated, however it is full of legitimate deductions, credits, and opportunities to save taxes.

We hope that you have found the above information useful? If you would like further advice about how this may affect you personally we now have a special relationship with worldwide accounting firm Mazars and would be pleased to introduce you to the appropriate partner in the UK or the USA or indeed any other of their 236 offices worldwide.

If you would like to speak to an adviser please contact us at info@abg.net.

The information does not constitute an offer, solicitation or recommendation to enter into any transaction or to buy, sell or hold any security, investment, loan or other financial product.