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Decoding The Tax Code

Gary Rose explains some of the tax law changes affecting wealthy individuals.
Article | Fri, 02/22/2013 - 20:38 | By Katherine Dordick

Death and Taxes, the only two certainties in life. Many investors would also argue that another inevitability is not understanding the changes to the tax code. This is where Gary Rose, Director of Tax Services at Frost, Ruttenberg & Rothblatt, is able to come in and demystify the changes and simplify the complex.

Rose started his career more than 25 years ago, feeling proud of going into a part of the business world that was not well known. Little did he know that his "unknown" industry would become a part of mainstreet America's daily news topics. Rose is a frequent speaker on tax code changes and the impact, or lack of impact, on the budget deficit and investors.

In looking at 2012 taxes and 2013 planning, one thing is certain according to Gary, "the uncertainty for 2013 remains due to continuing conversations surrounding the budget deficit and the potential for continued tax reform." There are many things that investors should be aware of for the 2013 tax year as well as during the closing of the 2012 tax year.

For 2012, Rose indicated that much of the tax code remained the same as previous years. Many of the changes included in the 2012 Taxpayer Relief Act, signed into law on January 2, 2013 apply to years after 2012. Rose discussed in greater detail some of the changes that affect individuals and business owners for 2013.

There are several changes to the tax code that is effective for tax years after 2012 that Rose mentioned. Income tax rates for most individuals will be unchanged. The exception to that are individuals with more than $400,000 in taxable income if they are single filers or $450,000 for those that file jointly. The new tax rate for those individuals will be 39.6%.

Another change to the code is higher taxes on capital gains and qualified dividends for those with taxable incomes exceeding the thresholds mentioned earlier. A modification to the tax code that affects those investors with slightly lower income is the phase-out of personal exemptions. Individuals with adjusted gross income of $250,000 for single filers and $300,000 for joint filers will have their total amount of exemptions reduced. Itemized deductions will also be limited for individuals whose income is above these thresholds.

There are many other tax code provisions that were changed or extended for tax years after 2012 that Rose discussed, including many that affect business owners, retirees and individuals with investment income. It is important to consult with a tax professional to ensure that you are prepared for the consequences of new tax laws and are planning accordingly to minimize the impact of the tax increases.