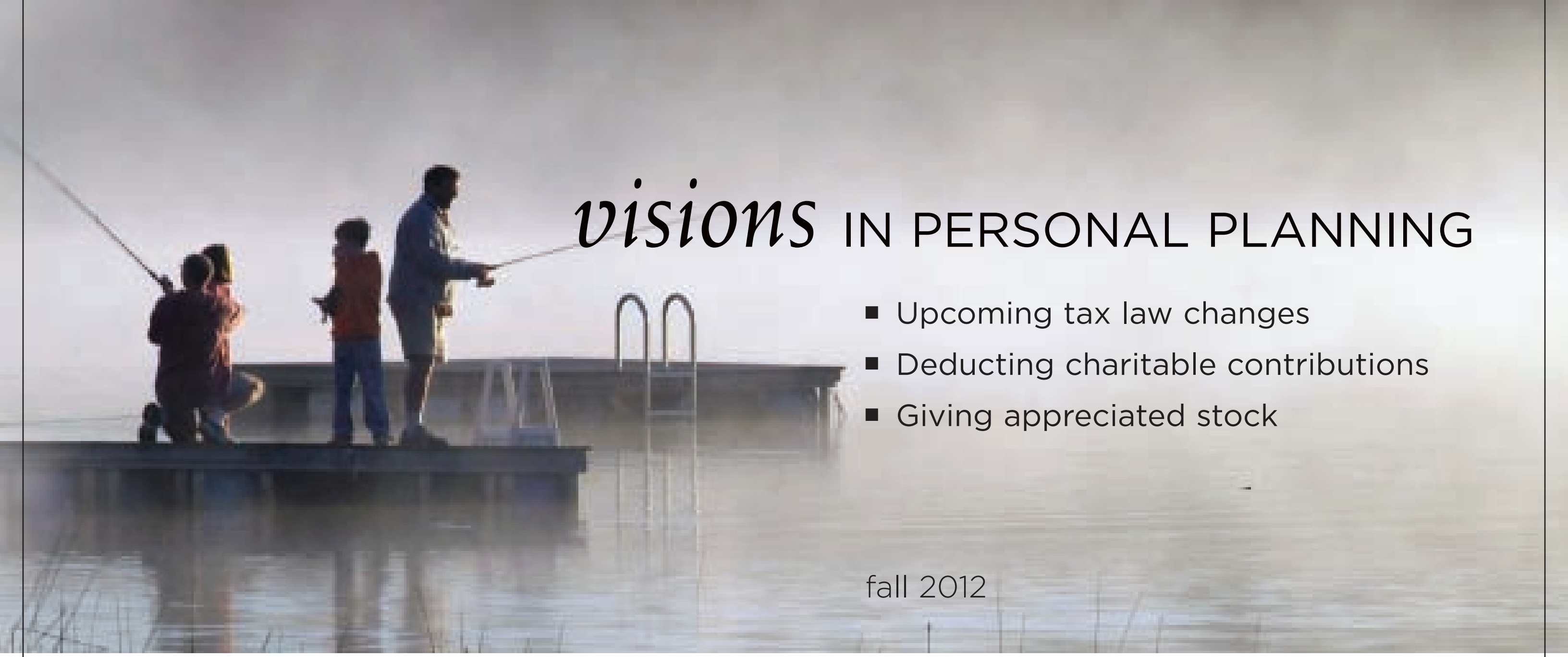

visions IN PERSONAL PLANNING

- Upcoming tax law changes
- Deducting charitable contributions
- Giving appreciated stock

fall 2012

Stay Ahead of the Game

The election season has been intense and the financial markets have been up and down over the past year. These days, keeping up with day-to-day developments requires a lot of energy. But it is important to stay informed. Whether you are stepping into the voting booth or adjusting your retirement plan, your attention to detail makes an impact on your decisions.

In a sense, contributing to the Zeta Beta Tau Foundation works the same way. We help keep you informed about our work and our mission—what goals we set and what successes we achieve. We also strive to provide helpful information about giving options and the real difference you make through the Foundation. By keeping up to date about what we do and how you make it possible, you can make informed choices in your philanthropy.

In this issue of *Visions*, we take a look at how the tax laws might change in the near future. There are certain “hot spots”—new rates, new rules about deductions, new exemption levels—that are scheduled to take effect in 2013. This information can help you and your advisors make decisions going forward. Also, we feature a short primer on how to deduct charitable contributions.

And, back by popular demand, we offer you the *Taxpayer’s Home Companion*—an informative guide with facts and figures essential to preparing the 2012 income tax return (including basic rules about charitable giving).

As you review events in 2012 and look forward to 2013, you are welcome to contact us if we can be of help in any way.

Cordially, Fraternally and Sincerely,
Faron A. Lewitt

OUR PLANNED GIVING WEBSITE!
Visit **www.zbt.org/plannedgiving** to learn more about options for integrating tax-favored giving with your personal planning.

ZETA BETA TAU
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The Upcoming Changes in the Tax Laws

When It Began

Over a decade ago, Congress passed a series of laws that changed the federal income tax. However, the changes were not permanent—they were scheduled to "sunset" or expire. In 2010, Congress passed a law to extend the changes another two years. Now the new sunset date of January 1, 2013 is fast approaching for what are commonly called the "Bush tax cuts."

It is important to note that Congress could pass a new tax law to extend some or all of these tax cuts again. But until Congress acts, it pays to be aware of what is currently scheduled to happen next year.

Income Tax Rates

1. Income tax rates on ordinary income will change—those are the rates imposed on taxable income after all the deductions and exemptions are figured. The upward shift in tax rates will increase the amount of federal income tax owed.
   2012 ▪ Six income tax rates of 10%, 15%, 25%, 28%, 33% and 35%
   2013 ▪ Five income tax rates of 15%, 28%, 31%, 36% and 39.6%
2. The long-term capital gains tax rates will increase—those are the rates imposed on gain from selling a capital asset held more than one year.
   2012 ▪ 0% (for lower-income taxpayers) and 15%
   2013 ▪ 10% (for lower-income taxpayers) and 20%
3. Dividend income, which is taxed like long-term capital gain in 2012, will be taxed like ordinary income in 2013.

Additional Taxes for High-Income Taxpayers

The Patient Protection and Affordable Care Act will impose additional income taxes on high-income taxpayers.

- There will be a 0.9 percent tax on earned income in excess of $200,000 for individuals or $250,000 for a couple.
- There will be a 3.8 percent tax on investment income in excess of $200,000 for individuals or $250,000 for a couple. There are some exclusions, including retirement plan distributions and income from a Subchapter S corporation or partnership that employs the individual.

Phase-Out of Personal Exemptions and Itemized Deductions for High-Income Taxpayers

The phase-out for personal exemptions and itemized deductions for high-income taxpayers will return after a three-year absence. This means if the adjusted gross income exceeds certain amounts, the personal exemption and/or the itemized deductions must be reduced.

Personal exemptions ▪ The exemption amount is phased out by two percent for each $2,500 of the income in excess of the threshold amount.

Itemized deductions ▪ Either reduce the amount of deductions by 3 percent of the income in excess of the threshold amount, or up to 80 percent of the deduction amount (whichever reduction is less).

How to Deduct a Charitable Contribution

Most people do not give to charity in order to take an income tax deduction. But, this deduction can be crucial because it can lower the cost of giving. Charitable giving is a regular part of your life and a commitment that you take seriously. Realizing the income tax deduction from a charitable contribution is simply acknowledging the importance of giving in your planning.

Here is a short summary of the rules for deducting a charitable contribution.

What is a charitable gift?

The contribution must be to a qualified charity. Giving money to a person or an organization to do good things is not enough to merit a deduction. If you are not sure if a charity is qualified, you can ask the charity or you can consult an up-to-date list using an online tool on IRS.gov called the Exempt Organizations Select Check.

How do I prove I made a gift?

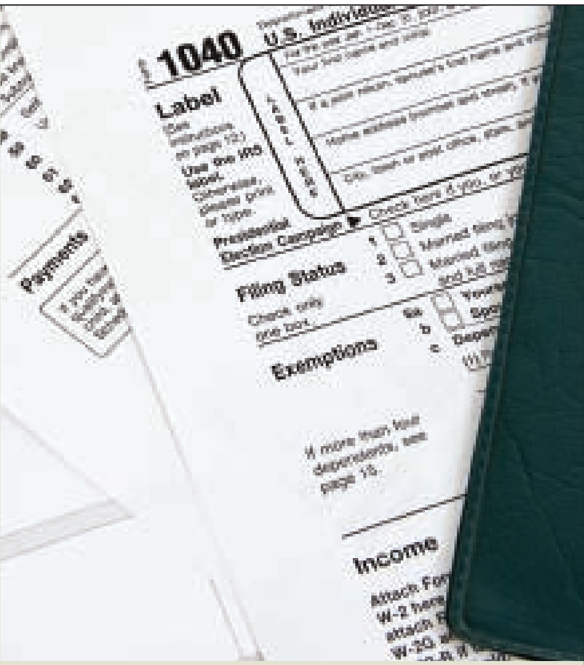
The charitable contribution must be substantiated. This refers to the receipts and documentation that you need to keep on hand to prove you made the gift. Specific rules apply, depending on the value of the gift and the type of property. Also, there may be a requirement that the charity provide a timely statement noting the date, the nature of the gift and whether there was any benefit the charity provided in association with the gift (i.e., a quid pro quo).

How do I prove what the gift is worth?

For property gifts worth more than $5,000, you will need an appraisal to establish the value. The appraisal must be done by an independent and qualified appraiser. There are exceptions to this rule—a gift of cash (of course) or a gift of a security (e.g., a stock) listed on a market exchange does not need an appraisal.

A BRIEF HISTORY OF THE CHARITABLE DEDUCTION

How long has the income tax charitable deduction been on the books? Almost as long as the modern-day income tax itself. The deduction was introduced as part of the War Revenue Act of 1917. Over the years, rules concerning how to deduct a contribution have changed, but the deduction itself has stuck. This is because charitable giving is a part of our American way of life. We have a tradition of donating to worthy causes, supporting religious institutions, and giving to organizations that enrich our communities.



The Fate of the Tax Extenders

There are a series of tax breaks that are temporary in nature. Every year or so, Congress decides whether to extend the tax breaks or let them lapse (that's why they are often called "tax extenders"). Keep in mind Congress has not yet passed a law to address the tax extenders for 2012.

We will have to wait to find out if the following tax breaks will be available going forward:

- The option to deduct the state or local sales tax rather than income tax.
- An increase in the AMT exemption (the higher the exemption, the fewer people who will be subject to this alternative form of tax).
- The IRA Charitable Rollover (a very popular way to give to a qualified charity for donors over age 70 ½).

Be sure to keep in touch with your tax and financial advisors to learn if any laws passed by Congress at the end of 2012 or in 2013 will affect you and your personal planning.

YEAR-END GIVING IDEA: APPRECIATED STOCK

Once you decide to give, the question is—what is the best way to give? You could simply write a check, but there might be a better option for you.

Say you own a stock for longer than one year, and the price is now higher than what you originally paid for it. If you give this stock, you gain a double advantage.

- *One*, you can deduct the value of the stock on the day you make the gift.
- And, *two*, you avoid the capital gains tax—what you would have paid if you had sold the stock.

Completing a contribution of appreciated stock is simple to do and can probably be done electronically at your request. Contact us so we can provide our specific information and account number to make it easy to complete the transfer.

THE 2012 TAXPAYER'S HOME COMPANION

Although the tax laws may change on January 1st, individual taxpayers will need to submit 2012 tax returns by next April. Be informed about your own income tax scenario so you can act now—it's possible that an itemized deduction for a year-end gift to charity can have a positive impact on the bottom line of a 1040 form.

And be sure to request our complimentary brochure, the 2012 *Taxpayer's Home Companion*, for useful rates, figures and suggestions. To receive your own complimentary copy, complete the enclosed reply card, or simply contact us.

That Time of Year (Again)

The spirit of the holiday season often encourages us to think about philanthropy and helping our community. And the end of the calendar year is a natural time for people to assess what they have and how they can help others.

We appreciate that you take the time to consider our mission. And we appreciate every gift that we receive year-round. With your help, we continue to meet our goal of serving others. Please let us know if we can provide information or assistance, and thank you for thinking of the Zeta Beta Tau Foundation as 2012 comes to a close.

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