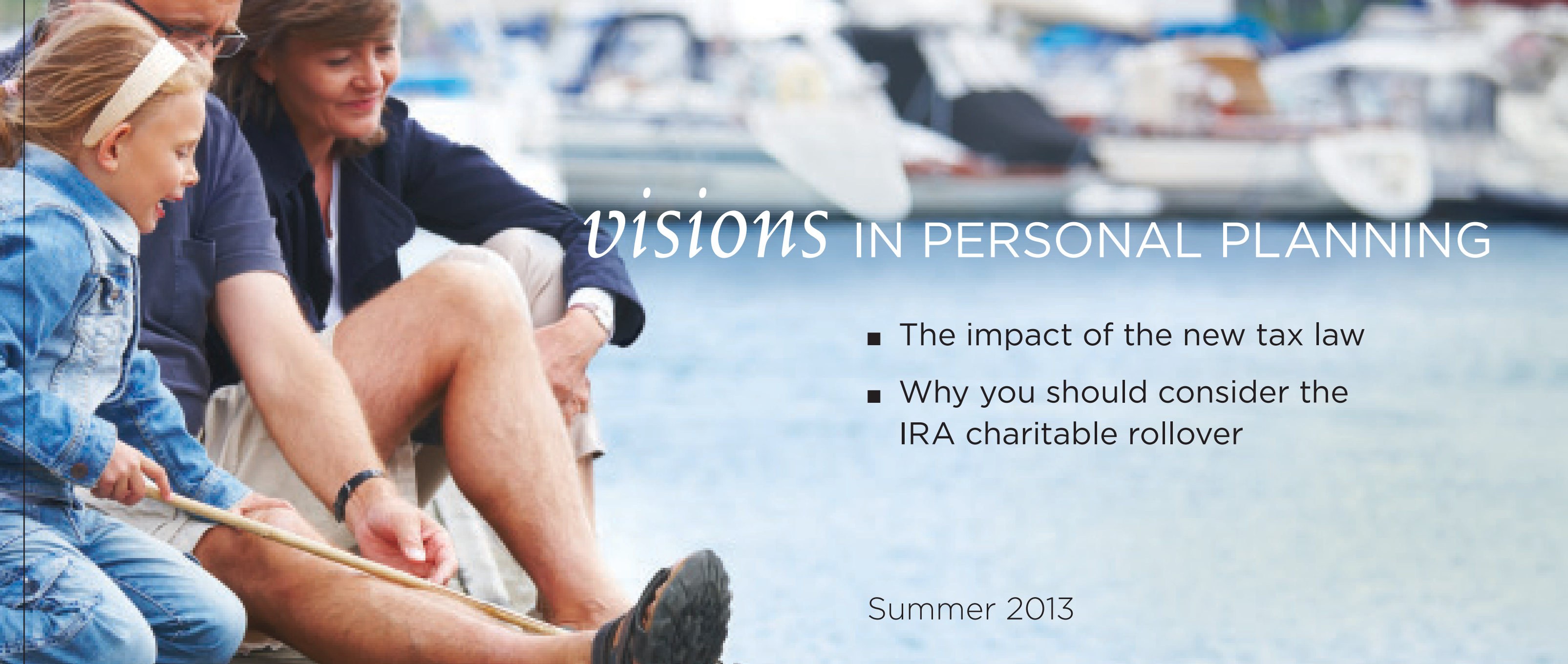

The New Tax Law

What a difference a few months make!

Last fall, people were preparing for taxes to rise. Laws passed years ago were set to expire December 31, 2012. No one knew what Congress would do until the American Taxpayer Relief Act of 2012 (ATRA) passed at the last moment.

The American Taxpayer Relief Act extends most tax cuts for most people, but not for everyone. Higher-income taxpayers will pay more in 2013. But what is significant about this law is that many of these rules will stay in place for the foreseeable future.

The new law also renews a popular and convenient way for donors to give—the IRA Charitable Rollover. Be sure to learn more about how this option could fit into your plans.

Since tax laws can change from year to year—often modestly, but sometimes dramatically—it is important to keep up with new rules and how they will affect your planning. This issue of *Visions* summarizes key provisions in the new law and explores how charitable giving can make a difference going forward. If you would like more information, please send for our new brochure, *What You Should Know about Recent Changes in the Tax Law—How Charitable Giving Fits In*. We appreciate your support and look forward to working with you to explore how planned giving can fit in with your financial goals.

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 FOUNDATION

The American Taxpayer Relief Act of 2012—What to Look for

Tax planning requires attention to detail—any one factor can make a big difference. Here are some of the crucial matters that could affect your planning this year:

- New rules introduced in the American Taxpayer Relief Act
- Selling your business, retiring, or moving to a new home (especially one out of state)
- A new marriage or the birth of a child or grandchild

Seeking the help of a tax advisor is a good idea, especially in light of any big changes in your life. Now, let's take a look at the new rules under ATRA.

Income Tax Rates

In 2013, the tax rates on ordinary income (like wages or interest) stay the same for most people: 10% - 15% - 25% - 28% - 33% - 35%.

But starting this year, there is a brand new income tax rate of 39.6% for those at the very top. Who are the people at the "very top"? Single people with taxable income over $400,000, heads of household with income over $425,000 and married people filing jointly with income over $450,000.

> Remember, we have a progressive federal income tax—the first dollar is taxed at 10%, and the 450,001st dollar is taxed at 39.6%.

Tax Rates on Long-Term Capital Gains and Dividends

In 2013, the tax rates on long-term capital gains and qualified dividends stay the same for most people. This tax rate depends on the top income tax rate you pay:

- 0% for those people with a top income tax rate of either 10% or 15%
- 15% for those people with a top income tax rate of 25%, 28%, 33% or 35%

Like the income tax, there is also a new tax rate for those at the very top. People in the top income tax bracket (39.6%) will pay 20% on long-term capital gains or qualified dividends above the threshold amount.

New Taxes for Higher-Income Taxpayers

Beginning in 2013, there are two additional taxes that will affect higher-income taxpayers. These taxes are a part of the healthcare law passed in 2010 and are based on a threshold amount ($250,000 for joint filers and $200,000 for anyone else).

1. An additional 0.9% Medicare tax applies to wages over the threshold amount.
2. An additional tax of 3.8% either on net investment income, or on the excess of modified adjusted gross income over the threshold amount (whichever amount is less). Investment income is generally defined as the sum of gross income from interest, dividends, annuities, royalties, rents and capital gains.

Marriage Penalty Relief Extended

The "marriage penalty" describes what happens when a married couple pays more tax jointly than they would if they filed as two single people. To remedy this, the 15% income tax bracket is now wider and the standard deduction for a married couple is twice as much as it is for a single individual.

Itemized Deductions Renewed

Taxpayers may still deduct state or local sales tax instead of state or local income tax. Why is this useful? Many states do not impose income tax. Or some taxpayers may pay more in sales taxes on expensive items in a particular year.

There is also an opportunity to deduct tuition expenses and student loan interest.

Tax Credits Renewed

The main tax credit that Congress renewed is the child tax credit. The credit amount remains at $1,000 per child and higher phase-out thresholds—which make the credit available to more parents—stay in place.

There is also the enhanced credit for child and dependent care and the American Opportunity tax credit that helps students remain in college.

Reduction in Itemized Deductions and Phase-Out of Personal Exemptions

People who have modified adjusted gross income over a certain amount ($250,000 for single individuals and $300,000 for joint filers) must reduce itemized deductions and phase out personal exemptions. The extent of the reduction and phase-out depends on the level of income above the threshold for that year.

Keep in mind: Only people who itemize can deduct charitable contributions on their income tax returns.

The New (Old) Rules for Estate and Gift Taxes

The news on estate and gift taxes is mostly good, because the rates and amounts are now permanent. For the past decade or so, the tax rate and the applicable exclusion amount changed from year to year. And in 2010, there was no estate tax at all! The trend has been toward lower estate and gift taxes, but the uncertainty along the way made planning difficult.

The primary points to remember about the federal estate and gift tax law going forward:

- There is a new 40% top tax rate.
- The $5 million applicable exclusion amount (how much you can give away in your lifetime in taxable gifts and/or through your estate) will increase from year to year based on inflation (in 2013, it is $5.25 million).
- Portability remains in place, which means a surviving spouse will benefit from any applicable exclusion amount not used by a spouse's estate.

LOOK ON THE BRIGHT SIDE

There are a number of positives to the new estate and gift tax rules:

- The new rules mean 99.8% of estates will potentially owe no tax in 2013, according to a recent report by the Tax Policy Center.
- Fewer estate owners need to worry about the ravaging effects of the estate tax.
- Everyone can plan with more confidence.

If you have included us in your estate plans or would like to explore a planning idea with us, feel free to contact our development office. We would be glad to discuss how a gift might help you realize your planning and philanthropic goals.

IRA CHARITABLE ROLLOVER RETURNS FOR 2013

The big news for charitable giving in the new tax law is the renewal of the IRA Charitable Rollover. If you already know about this way of giving, you understand how well it matches common financial and philanthropic goals. This provision allows donors age 70½ or over to direct a distribution of up to $100,000 per year from their IRA straight to the charity.

REASONS TO CONSIDER THE IRA CHARITABLE ROLLOVER

The IRA Charitable Rollover is a great way to contribute to the Zeta Beta Tau Foundation.

1. The amount counts toward your required minimum distribution (RMD), which must be taken each year by IRA owners age 70½ and over.
2. The amount directed to charity is excluded from your federal income. This can be crucial since a variety of taxes are triggered by higher income.
3. The amount we receive from your IRA can go to work at once to help us in our programs. We welcome your input in how your gift can do the most good.

Plan to act now because the IRA Charitable Rollover is only in place until the end of the year. Be aware that while completing the gift is relatively simple, it does take time. Contact us for more information about the IRA Charitable Rollover.

Smart Tax Planning Can Include Charitable Giving

Just as there are options when selecting ways to meet financial and tax planning goals, there are options for meeting philanthropic goals. Charitable giving can be an important component in what you want to do, and we are happy to help you identify options that work for you. Please get in touch, and be sure to request our complimentary brochure, *What You Should Know about Recent Changes in the Tax Law—How Charitable Giving Fits In*. You can reach us by phone or email, or just return the enclosed card. Thank you for considering our mission as you plan in 2013.

ZETA BETA TAU FOUNDATION

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