

January 9, 2013

Dear Friends and Clients,

By now, of course, you've heard that Congress has passed legislation avoiding the tax increases of the "fiscal cliff." Few of us who watched the process would consider it Washington's finest hour. But we finally have answers to the questions that have made proactive planning so difficult. Here are the highlights:

- * The Bush tax cuts are restored for income up to \$400,000 (\$450,000 for joint filers). Rates for income above those ceilings rise to 39.6% for ordinary income and 20% for qualified corporate dividends and long-term capital gains.
- * The Alternative Minimum Tax is finally indexed for inflation, meaning Washington won't need to "patch" it every year.
- * The estate tax "unified credit" amount that you can bequeath tax-free remains at \$5 million, indexed for inflation. The actual rate rises from 35% to 40%.
- * The 2% payroll tax holiday has expired, most likely for good.

The legislation also extends several popular tax breaks, like higher limits for business equipment expensing, deductions for student loan interest, and tax-free charitable gifts made directly from Individual Retirement Accounts.

We realize you've already heard this news. But we want you to know we'll be studying the new law in the coming weeks and months to look for every opportunity to help you save. And of course, if you have any questions, don't hesitate to call us at (512) 327-0909.

Sincerely,

Thomas Mangold, CPA / ABV / CITP

President