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2013

Overview of 2013 Income Tax Changes





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Prior Provisions Return

- “Pease” limit on itemized deductions
- Personal exemption phase-out (“PEP”)
- Social security payroll taxes





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Inflationary Adjustments

- Business standard mileage rate 56.5¢/mile
- Exemption amount \$3,900
- IRA deduction and phase-outs increased
- Minimum std. ded. for dependents \$1,000
- AMT exemptions increased (permanent)





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Other Changes

- Regular tax rates for individuals modified and made permanent—top rate of 39.6%
- Net capital gain tax rates modified and made permanent
- AMT capital gain tax rates conformed
- Medical and dental expenses must exceed 10% of AGI to be deducted on Schedule A, unless the taxpayer or spouse is 65 or older





Net Investment Income Tax (NIIT)

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- Tax of 3.8% on certain net investment income to the extent modified AGI is above threshold:
 - Married Filing Jointly \$250,000
 - Single or Head of Household \$200,000
 - Married Filing Separately \$125,000
 - Qualifying Widow(er) \$250,000
- For estates and trusts, the 2013 threshold is: \$ 11,950
- Taxpayers may need to increase their income tax withholding or estimated taxes for NIIT
- NIIT will be calculated on new **Form 8960**, *Net Investment Income Tax—Individuals, Estates, and Trusts*, and reported on Form 1040, line 60, with box b checked or on Form 1041, Schedule G, line 4
- For more details, go to IRS.gov/aca





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Additional Medicare Tax (AdMT) -- Individuals

- Provides for 0.9% AdMT on wages, compensation, and self-employment income received above certain threshold amounts.
- Threshold amounts are based on filing status
 - Married Filing Jointly \$250,000
 - Married Filing Separately \$125,000
 - All others \$200,000
- Individuals may need to increase their income tax withholding or estimated taxes for AdMT
- AdMT will be computed on new **Form 8959**, *Additional Medicare Tax*, and reported on Form 1040, Line 60, box a
- For more details, go to IRS.gov/aca





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Additional Medicare Tax (AdMT) -- Employers

- Employers are required to withhold 0.9% AdMT on wages or compensation paid to an employee in excess of \$200,000 in the calendar year, without regard to filing status
- There is no employer match for AdMT
- A new line 5d has been added to Form 941
- The amount withheld will be reported with regular Medicare tax on Form W-2, Box 6
- For more details, go to IRS.gov/aca





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Business Use of Home

- New optional safe-harbor method
 - Maximum 300 square feet
 - Flat deduction of \$5 per sq. ft.
- Form 8829 not required
- Provided for in Rev. Proc. 2013-13
- For the latest information, go to IRS.gov/schedulec





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Schedule D/Form 8949 Aggregate Transaction Reporting

- New lines 1a and 8a on Schedules D allow for reporting without using Form 8949, for transactions correctly reported to the IRS with the correct basis amount
- Substitute Form 1099-B reporting guidelines are to follow Form 8949 format
- For the latest information, go to IRS.gov/scheduled or IRS.gov/form8949





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Taxpayer Burden Reduction

- Goal is to reduce taxpayer burden (time and money to comply with tax obligations) by:
 - Simplifying forms or publications
 - Streamlining policies and procedures
- Submit suggestions using Form 13285-A
- Recent successes: Business use of home safe harbor; aggregate reporting on Schedule D
- For details, go to IRS.gov/tbr





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Innocent Spouse Relief

- New revision of Form 8857 to be issued, based on new pending Rev. Proc.
- New questions added to reduce follow-up contacts and speed relief
- See IRS.gov/form8857, IRS.gov/draftforms

24a During any of the tax years for which you are seeking relief or when any of the returns were filed for those years, did the person on line 5 do any of the following? Check all that apply. (Note. If this does not apply to you, skip lines 24a, b, and c, and complete lines 25 through 29.)

- Physically harm or threaten you, your children, or other members of your family.
- Sexually abuse you, your children, or other members of your family.
- Make you afraid to disagree with him/her.
- Criticize or insult you or frequently put you down.
- Withhold money for food, clothing, or other basic needs.
- Make most or all the decisions for you, including financial decisions.
- Restrict or control who you could see or talk to or where you could go.
- Isolate you or keep you from contacting your family members and/or friends.
- Cause you to fear for your safety in any other way.
- Stalk you, your children, or other members of your family.
- Abuse alcohol or drugs.





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For More Information

- For all things IRS, go to IRS.gov
- Early release drafts of forms and instructions are at IRS.gov/draftforms
- Additional sessions that will have more in-depth discussions on many of these topics:
 - Session 11–Employment Tax Issues
 - Session 12–Everything . . . About Schedule D
 - Session 14–Health Care Tax Issues--Businesses
 - Session 15–Health Care Tax Issues--Individuals
 - Session 33–Schedule C Issues facing Tax Pros

