

# 2013 Tax Digest

Presented by: **Matt Wichman**  
MRW Financial, Inc.

Prepared for:

## Income Tax Rates, Deductions and Credits

### Tax Rates

Ordinary Income Tax Rates	10%, 15%, 25%, 28%, 33%, 35%, 39.6%
Capital Gains/Dividend Tax Rates	0% (10%/15% brackets), 15% (25%/28%/33%/35% brackets), 20% (39.6% bracket)
Medicare Contribution Tax	3.8% on unearned or net investment income above MAGI of \$200,000 single/\$250,000 married
Alternative Minimum Tax Exemption	\$51,900 single and head of household/\$80,800 married

### Personal Exemption Deduction: \$3,900

Phased out at the rate of 2% for each \$2,500 of AGI over \$250,000 for single taxpayers, \$275,000 for heads of household and \$300,000 for married taxpayers.

### Standard Deduction

Joint Returns and Surviving Spouses	\$12,200
Heads of Household	\$8,950
Single Taxpayers	\$6,100
Married Filing Separately	\$6,100
Dependent	\$1,000 or \$350 plus earned income, if greater
Age 65 and Older or Blind - Single or Head of Household	Additional \$1,500 each
Age 65 and Older or Blind - All Others	Additional \$1,200 each

### Itemized Deduction Phase Out

Itemized deductions are phased out at the rate of 3% for each \$2,500 of AGI over \$250,000 for single taxpayers, \$275,000 for heads of household and \$300,000 for married taxpayers; total reduction cannot exceed 80% of itemizations; medical expenses, investment interest, casualty losses and gambling losses (to the extent of winnings) are exempted.

### "Kiddie" Tax (children under age 19 and dependent full-time students under age 24)

Amount	\$2,000
Alternative Minimum Tax Exemption	\$7,150 plus child's earned income

### Child Tax Credit

Amount	\$1,000
Refundable Limit	\$3,000

### Education Deductions/Credits

#### Hope Scholarship Credit (American Opportunity Tax Credit)/Phaseouts:

100% of First \$2,000 of tuition and related college expenses	\$2,000
25% of Next \$2,000	\$500
Maximum Credit	\$2,500
Phaseouts	\$160,000 - \$180,000 married joint filers; \$80,000 - \$90,000 all others

#### Lifetime Learning Credit/Phaseouts:

Amount	20% of the first \$10,000 of qualified tuition and fees (\$2,000 maximum)
Phaseouts	\$107,000 - \$127,000 married joint filers; \$53,000 - \$63,000 all others

#### Student Loan Interest Deduction/Phaseouts:

Amount	\$2,500
Phaseouts	\$125,000 - \$155,000 married joint filers; \$60,000 - \$75,000 all others

#### Qualified Tuition and Related Expenses Deduction:

Single Taxpayers	If AGI is less than \$65,000, \$4,000 deduction/if AGI is from \$65,000 - \$80,000, \$2,000 deduction
Married Taxpayers	If AGI is less than \$130,000, \$4,000 deduction/if AGI is from \$130,000 - \$160,000, \$2,000 deduction

#### Education Savings Account Deduction/Phaseouts:

Amount	\$2,000 per beneficiary
Phaseouts	Reduces to zero for AGIs between \$190,000 - \$220,000 for married joint filers; \$95,000 - \$110,000 all others

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## Social Security/Medicare

OASDI - Earnings Base	\$113,700
Rate	6.20% Employer/6.20% Employee
Employer/Employee Maximum Tax Each	\$7,049.40 Employer/\$7,049.40 Employee
Self-Employed Maximum Tax	12.40%/\$14,098.80
HI (Medicare) Rate	1.45% of all earned income (employer and employee/2.9% if self-employed) plus an additional 0.9% on earned income in excess of \$200,00 single/\$250,000 married paid by employee only
Cost of Living Benefit Increase	3.6%
Quarter of Coverage Earnings	\$1160
Normal Retirement Age (NRA) – 1943 - 1954 year of birth	66
Earnings Test - Retired under NRA all of 2013	\$15,120
Reach NRA during 2013	\$40,080

## Health Savings Accounts

Coverage	Minimum Deductible	Maximum Tax Deduction	Maximum Out-of-Pocket
Self-Only	\$1,250	\$3,250	\$6,250
Family	\$2,500	\$6,450	\$12,500

## Retirement Plan Contribution/Benefit Limits

Defined Benefit Plans	\$205,000 maximum benefit
Defined Contribution Plans	\$51,000 or 100% of compensation maximum contribution
Elective Deferral Limit for 401(k) Plans, SAR-SEPs and TSAs	\$17,500
Catch-up for 401(k) Plans, SAR-SEPs and TSAs (age 50 or older)	\$5,500
Elective Deferral Limit for SIMPLE IRAs and SIMPLE 401(k) Plans	\$12,000
Catch-up for SIMPLE IRAs and SIMPLE 401(k) Plans (age 50 or older)	\$2,500
Elective Deferral Limit for 457 Plans	\$17,500
Minimum Compensation Amount for SEPs	\$550
Maximum Compensation for Qualified Plans, SEPs, TSAs, VEBAs	\$255,000
Highly Compensated Employee Definition Limit	\$115,000
ESOP Payout Limits	\$205,000/\$1,035,000
Contribution Limit for IRAs (Traditional and Roth)	\$5,500
Catch-up for IRAs (Traditional and Roth) (age 50 or older)	\$1,000

## Eligible Long-Term Care Insurance Amounts

Attained Age in 2013	Limitation on Deductible Premiums
40 or less	\$360
41 to 50	\$680
51 to 60	\$1,360
61 to 70	\$3,640
More than 70	\$4,550
Per Diem Tax-Free Benefit Limitation	\$320

## Estate, Gift and Generation-Skipping Transfer (GST) Taxes

Top Tax Rate	40%
Annual Gift and GST Exclusion	\$14,000
Estate and Gift Tax Unified Credit/Unified Credit Equivalent	\$2,045,800/\$5,250,000
Estate Tax Deferral (Closely-Held Businesses)	\$572,000
Special Use Valuation Limitation	\$1,070,000
Qualified Conservation Easement Exclusion	\$5,250,000
GST Exemption/Exemption Equivalent	\$2,045,800/\$5,250,000