

Tax & Financial Issues

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Individual Tax Rates For 2013

MFJ	Marginal Rate
\$0 - \$17,850	10%
\$17,850 - \$72,500	15%
\$72,500 - \$146,400	25%
\$146,400 - \$223,050	28%
\$223,050 - \$398,350	33%
\$398,350 - \$450,000	35%
\$450,000 and over	39.6%



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Individual Tax Rates For 2013

Single	Marginal Rate
\$0 - \$8,925	10%
\$8,925 - \$36,250	15%
\$36,250 - \$87,850	25%
\$87,850 - \$183,250	28%
\$183,250 - \$398,350	33%
\$398,350 - \$400,000	35%
\$400,000 and over	39.6%



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New Medicare Taxes

- Partial funding mechanism for Affordable Care Act
- Medicare Investment Tax
 - 3.8% of the lesser of –
 - Annual net investment income, or
 - Excess of modified Adjusted Gross Income over a threshold
 - Thresholds – Married \$250,000, Single \$200,000
- Medicare Surtax
 - 0.9 % surtax on wage and self-employment income for taxpayers with income greater than \$200,000 (single) and \$250,000 (married filing joint)
 - Withholding requirements on wages > \$200,000



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Medicare Investment Tax

- Net investment income is net income from –
 - > Interest/Dividends
 - > Annuities
 - > Rents (not real estate professionals)
 - >Gains from the sale of property (other than business)
 - >Passive flow through income (LLCs, S Corps, partnerships)

Net investment income is **NOT** –

- > Distributions from qualified plans or IRAs
- > Income from municipal bonds
- > Income or distributions from flow-throughs where you materially participate



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Increasing Accumulation of Taxes

- 39.6% Top IRS rate
- 5.5% Top Ohio Rate
- 3% Combined City/School/Other Local
- 3.8% Medicare on investment earnings, OR
- .9% extra Medicare on wage/SE income

- 49% - 52% Potential tax rate on certain incremental income above \$450,000



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Giftgiving Opportunities

- Appreciated property
- Reduce overall tax rates
- Annual exclusion \$14,000
- Reduce overall estate



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Roth IRA's

- Benefits:
 - Compound tax-free growth
 - No income tax on withdrawals
 - No required minimum distribution



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Roth IRA's cont.

■ Contributions:

- Must have earned income to contribute
- Limit \$5,500, additional \$1,000 if over 50
- Phase out:
 - \$183,000 MFJ
 - \$125,000 Single



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Roth IRA's cont.

■ Conversion:

- Earned income not required
- No income limitations to convert
- Conversion is taxable



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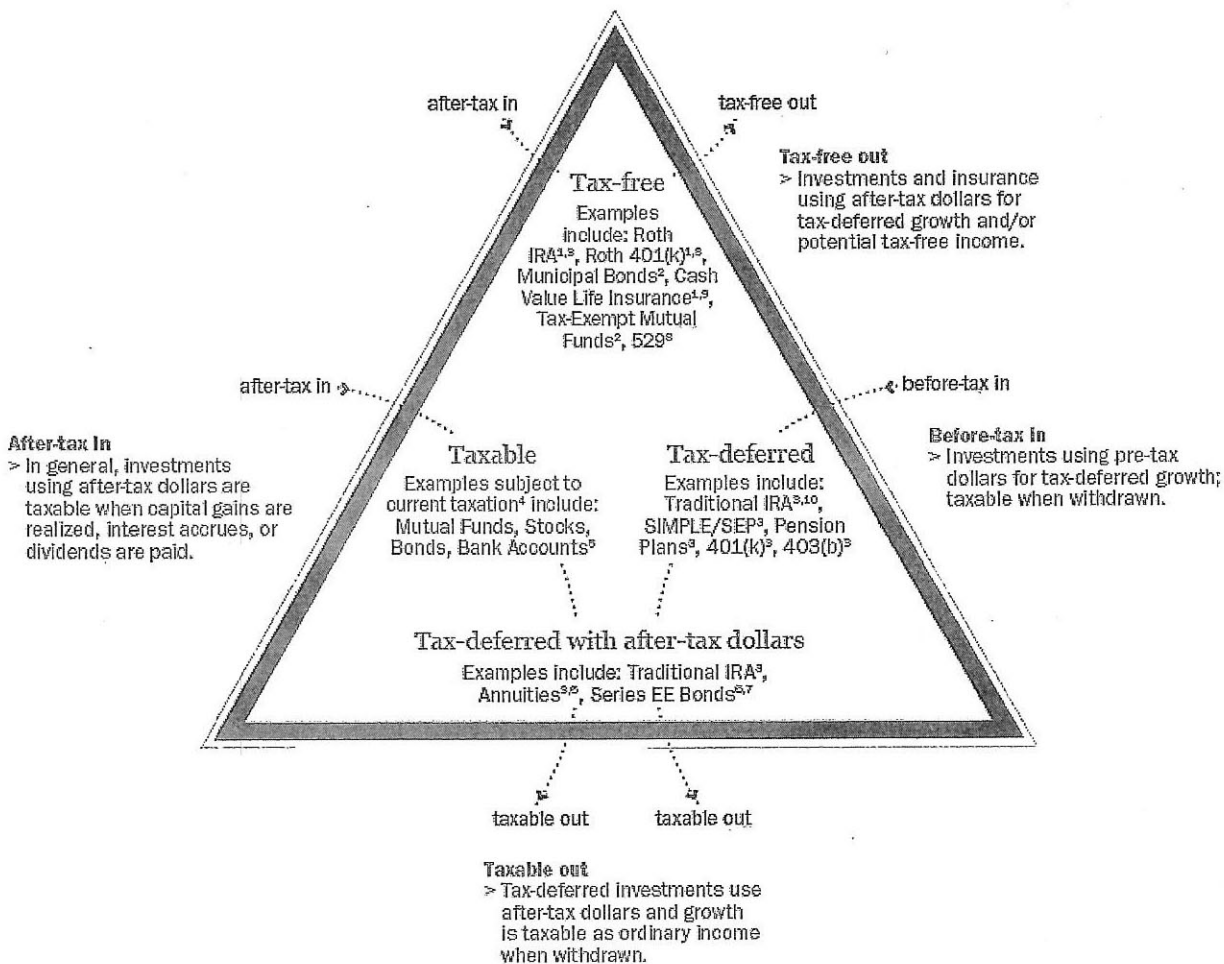
Roth IRA's cont.

- Back-door contribution if subject to phase-out:
 - Make nondeductible IRA contribution
 - Convert to Roth IRA next day
 - Earnings are taxable but will not have any
 - Watch out if you have made previous deductible IRA contributions



Understanding tax diversification

Use this diagram as a guide to tax treatment that can help you reach your financial goals. Each treatment has benefits and risks that you should consider within the context of your entire financial situation. Consult with your tax advisor or attorney regarding specific tax issues.



¹ Necessary requirements must be met. Consult with your tax advisor.

² Certain tax exempt income may be subject to the alternative minimum tax, or state or local taxes. Taxable capital gains or losses may be incurred.

³ Withdrawal before age 59½ may result in a 10% IRS penalty.

⁴ Dividends and long term capital gains may be taxed at a lower rate. Interest may be taxable even if not paid, for example, but not limited to, original issue discount.

⁵ Bank deposits are FDIC insured up to \$250,000 per depositor. FDIC deposit insurance has been temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013.

⁶ Growth tax-deferred, earnings taxable when withdrawn.

⁷ May elect to be taxed currently.

⁸ When used for qualified education expenses; otherwise, you may have to pay income tax plus a 10% penalty.

⁹ Death proceeds are not subject to income tax. Loans from a non-Modified Endowment Contract (MEC) policy are not subject to income tax unless the contract lapses or is surrendered. Loans from a MEC policy are subject to income tax to the extent that there is gain in the policy. Partial or full surrenders from a life insurance contract may be subject to income tax.

¹⁰ Assumes that contributions to IRA are deductible.