

What's new for 2013 Tax Year:

Medical expense deduction increase in threshold, medical expenses are deductible as itemized deduction only to the extent they exceed 10% of AGI, this is increased from 7.5% in prior years. For taxpayers 65 or older at December 31st the threshold remains 7.5%.

Personal exemptions deduction phase out, the deduction for personal exemptions is now reduced for taxpayers with AGI in excess of \$250,000 (single), \$275,000 (head of household), \$300,000 (married filing joint), and \$150,000 (married filing separate)

Health FSA reduction in annual limit, the amount an individual can contribute to an employer provided health flexible spending arrangement (FSA) is limited to \$2,500 per year. In prior years there was no limit under the code, however employer plans often limited the contributions.

The employees share of the social security portion of the FICA tax increases to 6.2% (2012 - 4.2%). The social security portion of the self employment tax increases to 12.4% (2012 - 10.4%)

Effective 9/16/2013 individuals in a legally recognized same sex marriage are treated as married for federal income tax purposes. Individuals who were in a same sex marriage before 2013 can choose to amend prior year returns.

Long term capital gains and qualified dividends rate, when taxable income exceeds \$400,000 (single), \$425,000 (head of household), \$450,000 (married filing joint) and \$225,000 (married filing separate) a 20% rate applies, for taxable income below the thresholds a 15% rate applies.

Additional Medicare tax on earnings, in excess of \$200,000 (single), \$250,000 (married filing joint) and \$125,000 (married filing separate).

Increase in highest tax rate on ordinary income from 35% to 39.6%, for taxable income in excess of \$400,000 (single), \$425,000 (head of household), \$450,000 (married filing joint) and \$225,000 (married filing separate).