

Business Tax Provisions of the American Taxpayer Relief Act of 2012 client letter

Dear <fname>,

On January 2, 2013, President Obama extended a financial olive branch to taxpaying individuals and businesses alike when he signed into law the American Taxpayer Relief Act of 2012.

In addition to halting the scheduled individual income tax increases for most Americans, the enactment of the Act secured more than 30 amendments to business-related provisions and business tax extenders.

Specifically, the Act

- makes permanent the capital gains treatment of qualified dividend income
- raises the top rate on capital gains from 15% to 20% for taxpayers above the 39.6% income threshold amount
- imposes, beginning in 2013, the 3.8% "net investment income" on qualified dividend income of taxpayers with income levels above certain thresholds
- repeals the collapsible corporation provisions
- raises the accumulated earnings tax rate from a flat 15% to a flat 20%
- raises the personal holding company tax rate from a flat 15% to a flat 20%
- provides a \$500,000 maximum cost of §179 property that may be expensed rather than depreciated in tax years beginning in 2012 and 2013

The Act also extends, until December 31, 2013, business tax credits, including the following:

- the research credit, modifying the rules for partial inclusion of pre-acquisition qualified research expenses and gross receipts
- the Indian employment credit, for employing members of Indian tribes
- the activated military reservist wage payment credit, good for 20% of differential wage payments made to activated military reservists
- the work opportunity credit, which allows businesses to claim a credit equal to 40% of the first \$6,000 of wages paid to new hires in one of nine targeted groups
- the 15-year straight-line cost recovery, available for certain leaseholds, restaurant buildings and improvements, and retail improvements
- the domestic production activities deduction for activities in Puerto Rico, allowing the deduction for the first eight taxable years of the taxpayer beginning after December 31, 2005
- the exemption from the 30% withholding tax for qualified interest-related dividends and short-term capital gain dividends received by a foreign person from a regulated investment company
- the exceptions from current inclusion under Subpart F for certain income derived in the active conduct of a banking, financing, insurance, or securities dealer business

- the empowerment zone tax incentives, designated for certain economically depressed census tracts
- the 50% bonus depreciation provision that applied to qualified property acquired in 2008 through 2012

I welcome the opportunity to meet with you to evaluate your personal situation and determine how this Act affects you. Please contact me to set up a complimentary 1-hour consultation.

Sincerely yours,