HIGHLIGHTS OF THE CHANGES AFFECTING 2013

Congress Health Care Taxes Take Effect – As part of the Patient Protection Act (Health Care Law) four significant provisions take effect in 2013:

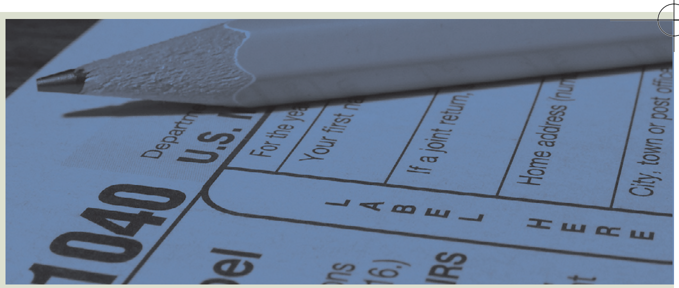
- *Increased Health Insurance (HI) Payroll Tax* – The Hospital Insurance (HI) payroll tax, currently at 1.45%, will be increased to 2.35% to the extent an individual taxpayer's earnings (wages and self employment) exceed $200,000 ($250,000 for joint filing taxpayers). An individual's employer is required to withhold the extra amount based upon the income from that employer. Individuals with multiple employers and married couples both working (incomes must be combined for purposes of the tax) should be aware that they may not have enough withheld and could find themselves owing additional HI tax when they file their 2013 return.
- *Surtax on Investment Income* – Also referred to as the "unearned income Medicare contribution tax." A 3.8% surtax is imposed on the lesser of a taxpayer's net investment income, or the excess of the taxpayer's modified adjusted gross income over $200,000 ($250,000 for joint filing taxpayers). Net investment income includes interest, dividend, annuity, capital gains, and passive rental income less expenses associated with the income. It also includes the capital gain from the sale of a taxpayer's home in excess of the excludable gain.
- *Medical Deduction Threshold* – For taxpayers under the age of 65 the medical itemized deduction threshold will increase from 7.5% to 10% of the taxpayer's AGI. For taxpayers age 65 and over the threshold remains at 7.5% through 2016.
- *FSA Maximum Annual Medical Expense* – Beginning in 2013 the medical reimbursements that can be from an FSA are capped at $2,500 per year.

New Tax Law – Congress passed the American Taxpayer Relief Act of 2012 shortly after the start of 2013. Here are highlights of some of the changes:

Residential Energy-Efficient Property Credit – The tax credit for installing energy saving home improvements such as doors, windows, insulation, attic fans, etc., has been retroactively extended for 2012 through 2013. A taxpayer can claim a 10% credit on the cost of: (1) qualified energy efficiency improvements, and (2) residential energy property expenditures, with a lifetime credit limit of $500 ($200 for windows and skylights).

Also available is a tax credit designed for alternative energy equipment that equals 30% of the cost of qualifying property, such as solar electric systems, solar hot water heaters, geothermal heat pumps, wind turbines and fuel cell property through 2016.

Child Tax Credit – The child tax credit was made permanent at $1,000 per qualifying child.



Childcare Credit – The higher allowable childcare expenses, $3,000 for one child and $4,800 for 2 or more children, along with the higher credit percentage of 35%, which were set to expire, are made permanent.

Tax Rates Increase – For tax years beginning after 2012, the income tax rates for individuals will stay at 10%, 15%, 25%, 28%, 33% and 35%, but with a new 39.6% rate applying for income above the threshold of $450,000 for joint filers and surviving spouses; $425,000 for heads of household; $400,000 for single filers; and $225,000 married filing separately. These amounts will be inflation-adjusted in future years.

Capital Gains (CG) Rates – For tax years beginning after 2012, the top rate for long-term (LT) capital gains and qualifying dividends will permanently rise to 20% (up from 15%) for taxpayers with taxable incomes exceeding $400,000 ($450,000 for married taxpayers, $425,000 for heads of household); amounts are subject to inflation adjustment. For taxpayers whose taxable income is subject to a rate below 25%, LT capital gains and qualifying dividends will be subject to a 0% rate. Taxpayers who are subject to a 25%-or-greater rate, but whose income levels fall below the $400,000/$450,000 thresholds, will continue to be subject to a 15% rate on LT capital gains and qualifying dividends.

Personal Exemptions Phased-Out – A phase-out of personal exemptions for higher income taxpayers will apply starting with 2013 returns; each exemption allowance will be reduced by 2% for each $2,500 of income (AGI) above $250,000 for single individuals, $275,000 for heads of household and $300,000 for married individuals filing jointly.

Itemized Deductions Phased-Out – Itemized deductions of higher-income individuals will be reduced by 3% of AGI above the same income (AGI) thresholds as for exemptions, also effective in 2013. However, the reduction cannot exceed 80% of the deductions.

Education Credits – The American Opportunity Credit which provided up to $2,500 tuition tax credit for the first four years of post-secondary education, a portion of which was refundable, has been extended for five years through 2017.

Other extended tax benefits include: The above-the-line higher education tuition deduction, higher education loan interest deduction, the teacher's above-the-line classroom supplies deduction, the treatment of mortgage insurance premiums as qualified residence interest, the election to deduct state and local sales tax in lieu of state and local income tax, the tax free IRA to charity transfers for taxpayers 70.5 and older, and the exclusion of cancellation of debt income for acquisition debt forgiveness on a taxpayer's principal residence.

$1 LUMP SUM AT VARIOUS RATES

(Future Value of $1, Compounded Annually)

Interest Rate	5th Year	10th Year	15th Year	20th Year	25th Year	30th Year
2%	1.104	1.219	1.346	1.486	1.641	1.811
4	1.217	1.480	1.801	2.191	2.666	3.243
6	1.338	1.791	2.397	3.207	4.292	5.743
8	1.469	2.159	3.172	4.661	6.848	10.063
10	1.611	2.594	4.177	6.727	10.835	17.449

Example: *If you invest $10,000 at an interest rate of 6%, at the end of 30 years you will have $57,430 ($10,000 multiplied by 5.743).*

$1 PER YEAR AT VARIOUS RATES

(Future Value, Compounded Annually)

Interest Rate	5th Year	10th Year	15th Year	20th Year	25th Year	30th Year
2%	5.310	11.17	17.64	24.78	32.67	41.38
4	5.416	12.006	20.024	29.778	41.646	56.085
6	5.637	13.181	23.276	36.786	54.865	79.058
8	5.867	14.487	27.152	45.762	73.106	113.283
10	6.105	15.937	31.772	57.275	98.347	164.494

Example: *If you put $1,000 at the end of each year in an investment paying 6% a year compounded annually, at the end of the 30th year, you will have $79,058 saved ($1,000 x 79.058).*

LIFE EXPECTANCY*

Current Age	Remaining Years	Current Age	Remaining Years
25	57.0	55	28.6
30	52.2	60	24.2
35	47.3	65	20.0
40	42.5	70	16.0
45	37.7	75	12.5
50	33.1	80	9.5

Assume a planned retirement age of 60. Based on average statistics, you will need to accumulate retirement assets by age 60 to last for 24.2 yrs.

** Life expectancy rates based on the IRS Unisex Single Life Tables.*

TAXABLE-EQUIVALENT YIELD OF MUNICIPAL BONDS BASED ON VARIOUS FEDERAL INCOME TAX BRACKETS

	Tax-Free Yield								
	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%
Tax Bracket	Equivalent Taxable Yield								
10%	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7
15	2.4	2.9	3.5	4.1	4.7	5.3	5.9	6.5	7.1
25	2.7	3.3	4.0	4.7	5.3	6.0	6.7	7.3	8.0
28	2.8	3.5	4.2	4.9	5.6	6.2	6.9	7.6	8.3
33	3.0	3.7	4.5	5.2	6.0	6.7	7.5	8.2	9.0
35	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2

Example: *A taxpayer in the 25% tax bracket would have to purchase a taxable investment yielding more than 5.3% to outperform a 4.0% tax-free investment.*

2013 Pocket Tax Guide

EXEMPTIONS & STANDARD DEDUCTIONS

Personal & Dependent Exemption: **$3,900**

Standard Deduction:

Joint, SS	*MS*	*Single*	*Head of Household*
$12,200	$6,100	$6,100	$8,950

An additional standard deduction of $1,200 is allowed for each married elderly (age 65 and over) or blind individual. If elderly and blind, the additional standard deduction is $2,400. Single individuals (elderly or blind) are allowed an additional standard deduction of $1,500.

SOCIAL SECURITY (OASDI), MEDICARE & SELF-EMPLOYMENT TAXES

	*Social Security OASDI**	*Medicare****	*Total*
Employee	6.20%	1.45%	7.65%
Self-Employed**	12.40%	2.90%	15.30%

Wage Base for Soc. Sec. & Self-Employment Tax (2013): $113,700

Wage Base for Medicare Hospital Insurance – no limit

**Old age, survivor and disability insurance portion of social security tax.*

***Self-employed individuals are allowed to take an income tax deduction for 50% of the self-employment tax.*

****Add 0.9% to rate for higher income taxpayers – see "Highlights Affecting 2013"*

SOCIAL SECURITY BENEFITS

Earnings Test – SS benefits of an individual who is under the full retirement age(66) are reduced when earnings from working exceed: $ 15,120 /yr

Maximum Retirement Benefit – The maximum retirement benefit for workers retiring in 2013 at age 66 (full retirement age): $2,533 /mo.

Taxation Thresholds – A certain % of an individual's SS benefits are taxed when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% Taxed	*Up to 85% Taxed*
Married/Joint	$32,000 - $44,000	Over $44,000
Single	$25,000 - $34,000	Over $34,000

**Provisional income generally includes adjusted gross income plus nontaxable interest plus one-half of social security benefits.*

CAPITAL GAINS

Special rates (capital gain rates) apply to gains attributable to sale of capital assets held for more than a year.

Capital Gain Rates:

To the extent a taxpayer's marginal rate is less than 25%: 0%

To the extent a taxpayer's marginal rate is 25% or more and the taxable income is $400,000 or less ($425,000 head of household, $225,000 married filing separate, or $450,000 for married couples filing jointly): 15%

To the extent a taxpayer's marginal rate is 25% or more and the taxable income is greater than $400,000 ($425,000 head of household, $225,000 married filing separate, or $450,000 for married couples filing jointly): 20%

Excluded from the 10%, 15% and 20% Rates:

Gain attributable to real property depreciation: 25% Max

Gain attributable to collectibles & qualified small business stock: 28% Max

Maximum Annual Net Loss Deduction: $3,000 ($1,500 MFS filers)

Netting Short-Term (ST) and Long-Term (LT) Gains & Losses:

ST gains and losses are netted as are LT gains and losses. Then the two are netted together, with the result being either a net ST or LT gain or loss. Taxpayers, when possible, can achieve a better overall tax benefit by offsetting short-term capital gains with long-term capital losses, thus offsetting higher-taxed profits with lower-taxed losses.

LONG-TERM CARE INSURANCE DEDUCTIONS

The maximum amounts of long-term care premiums that are deductible are based on age and for 2013 are:

40 or Less	40 to 50	51-60	61-70	71 & Older
$360	$680	$1,360	$3,640	$4,550

KIDDIE TAX

Congress created the "Kiddie Tax" to stop parents from moving investments into their child's name to take advantage of the child's lower tax rates. The Kiddie Tax effectively taxes the investment income of children under age 19 and full time students under age 24 in excess of $2,000 at the parent's top marginal rate.

Kiddie Tax Standard Deduction – is the Larger of A or B below:

A. The child's earned income plus $350, but not to exceed $6,100.

B. $1,000

TRADITIONAL IRA – MAX DEDUCTION & LIMITS

Maximum Contribution & Deduction for 2013: **$5,500 ($6,500 if age 50 & older)** (1)

The deduction is ratably phased out for higher income individuals who actively participate in an employer-sponsored plan and/or whose spouse is an active plan participant. The following are the phase-out ranges based on Modified AGI:

Single (active)	$ 59,000 – $ 68,999
Married (only spouse is active)	$178,000 – $187,999
Married (both spouses active)	$ 95,000 – $114,999
Married Separate	$ 0 – $9,999

Contributions must be made by the due date of the tax return, NOT including extensions. Contributions are NOT allowed upon reaching age 70.5 (however contributions to SEP IRAs are allowed after age 70.5).

ROTH IRA – MAX DEDUCTION & LIMITS

Maximum Contribution for 2013: **$5,500 ($6,500 if age 50 & older)** (1)

There is no tax deduction for contributions to a Roth IRA, there is no tax on qualified distributions, and the accounts benefit from tax-free accumulation. The contributions are ratably phased out for higher income individuals. The following are the phase-out ranges based on Modified AGI:

Married	$178,000 – $187,999
Married Separate	$ 0 – $9,999
Others	$ 112,000 – $126,999

Contributions must be made by the due date of the tax return, NOT including extensions. Contributions ARE allowed after age 70.5.

**(1) The $5,500 and $6,500 limits apply to the combined Traditional and Roth IRA contributions of the individual for the year.*

RETIREMENT PLANS – CONTRIBUTION LIMITS

SE Defined Contribution Plans: Lesser of 25%(1) of compensation or $51,000.

SEP Plans: Lesser of 25%(1) of compensation or $51,000.

401(k) and 403(b) Plans Elective Deferrals: $17,500 ($23,000 age 50+) (2) (3)

Simple Plans Elective Contributions: $12,000 ($14,500 age 50 and over) (3)

Defined Benefit Plans: : Max annual benefit: $205,000

Highly Compensated Employee Status Threshold: $115,000 (4)

Key Employee Status Threshold: $165,000

(1) Effectively 20% of net self-employment income.

(2) The annual contribution to all of an employee's retirement accounts, including elective deferrals, employee contributions, employer matching, discretionary contributions and forfeiture allocations cannot exceed the lesser of 100% of compensation or $51,000.

(3) Maximum compensation that can be considered in determining employer and employee contributions (employer matching contribution for Simple Plans) is $255,000 ($115,000 for highly compensated employees).

(4) Includes 5% owners and at employer's election 20% of the top paid employees.

SAVING FOR EDUCATION

National Average Annual College Costs (2010-11 period)

	(Tuition $ Fees)	(With Room & Board)
Public 4-yr Institutions	$ 7,600	$16,200
Public Out of State	$19,600	$28,200
Non-Profit Colleges	$27,300	$37,000

Note: College costs are increasing annually at a rate of 5% to 8%

Three tax plans are provided to save funds for a child's education. Contributions to them are NOT tax deductible. The tax benefit is the account earnings that accrue tax deferred are free from tax if used for qualified education expenses.

Coverdell Account – The annual contribution limit is $2,000 per student. Funds can be used for elementary (including kindergarten), secondary and post-secondary education expenses. Contributions may be made up to the April due date for filing the return. The contribution limit is ratably reduced to zero for Joint filers with MAGI between $190K and $220K ($95K and $110K for others).

Sec 529 Plan – The total contribution per student is only limited by the projected cost of the student's planned education. The donor's annual contribution is generally predicated on donor's gift tax issues. Generally each donor can contribute up to the annual gift tax exemption ($14,000 in 2013) per year without gift tax implications. In addition the exemption amount for the next four years (total $70,000 in 2013) can be contributed at one time (generally in the earlier years to benefit from increased earnings). Funds can be used for post-secondary education only.

Savings Bonds – A taxpayer who pays qualified higher education expenses with redemption proceeds from Series EE or I Bonds issued after 1989 may be able to exclude the bonds' income. To qualify they must have been purchased when the individual was at least age 24 and redeemed at the time of the education expense for the taxpayer, spouse, or dependent. The income exclusion phases out for joint filers with a MAGI between $112,050 and $142,050 ($74,700 and $89,700 for others).

STANDARD MILEAGE DEDUCTIONS

The amounts shown are the $/mile for 2013.

Business	*Charitable*	*Medical & Moving*
$0.565	$0.14	$0.24

PER DIEM RATES*

	High-Cost Locality	*Low-Cost Locality*
Meals and incidental expenses (M & IE)	$ 65	$ 52
Lodging and M & IE	$ 242	$ 163

**Reflects rates in effect since 10/01/2011, using the simplified method of determination.*

BUSINESS ASSET EXPENSING

Each year, an amount of the cost of certain eligible personal property purchased during the year and used in the active conduct of a trade or business can be expensed. For 2013, the maximum that can be expensed is $500,000.*

**The limit is reduced when more than $2 million of qualifying property is placed into service.*

INCOME TAX RATES – CORPORATIONS

Taxable Income

Over	*But Not Over*	*Pay + Excess*	*% on*	*Of The Amount Over*
$ 0	$ 50,000	0	15	0
50,000	75,000	7,500	25	50,000
75,000	100,000	13,750	34	75,000
100,000	335,000	22,250	39	100,000
335,000	10,000,000	113,900	34	335,000
10,000,000	15,000,000	3,400,000	35	10,000,000
15,000,000	18,333,333	5,150,000	38	15,000,000
18,333,333		6,416,667	35	18,333,333

TRUST & ESTATE INCOME TAX RATES

Taxable Income

Over	*But Not Over*	*Pay*	*Plus*	*Of the Amount Over*
-0-	$2,450	-0-	15%	-0-
$2,450	$5,700	$367.50	25%	$2,450
$5,700	$8,750	$1,180.00	28%	$5,700
$8,750	$11,950	$2,034.00	33%	$8,750
$11,950		$3,090.00	35%	$11,950

UNIFIED ESTATE & GIFT TAX SCHEDULE

Year	Estate Tax		Gift Tax	
	Exemption *(Millions $)*	Top Tax Rate	Exemption *(Millions $)*	Top Tax Rate
2011	5.0	35%	5.0	35%
2012	5.12	35%	5.12	35%
2013	5.25	40%	5.25	40%

2013 Annual Gift Tax Exclusion *$14,000*

Each individual is allowed an annual gift tax exclusion of $14,000 per donee for 2013, with no limit to the number of donees. These gifts are not deductible to the giver nor are they taxable to the donee. Gifts in excess of the exclusion must be reported on a gift tax return. Gifts in excess of the exclusion are taxable but are offset with the Unified Estate and Gift Tax Credit until that credit is used up. Any amounts used to offset the gift tax will reduce the amount of credit available for the giver's estate tax.

2013 INCOME TAX RATE SCHEDULE – INDIVIDUALS

MARRIED TAXPAYERS* – *Joint/Surviving Spouse (SS)*

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$17,850	-0-	10%	-0-
$17,850	$72,500	$1,785.00	15%	$17,850
$72,500	$146,400	$9,982.50	25%	$72,500
$146,400	$223,050	$28,457.50	28%	$146,400
$223,050	$398,350	$49,919.50	33%	$223,050
$398,350	$450,000	$107,768.50	35%	$398,350
$450,000		$125,846.00	39.6%	$450.000

* Married separate (MS) use 1/2 of the joint dollar amounts.

SINGLE TAXPAYERS

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$8,925	-0-	10%	-0-
$8,925	$36,250	$892.50	15%	$8,925
$36,250	$87,850	$4,991.25	25%	$36,250
$87,850	$183,250	$17,891.25	28%	$87,850
$183,250	$398,350	$44,603.25	33%	$183,250
$398,350	$400,000	$115,586.25	35%	$398,350
$400,000		$116,163.75	39.6%	$400,000

HEAD OF HOUSEHOLD

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$12,750	-0-	10%	-0-
$12,750	$48,600	$1,275.00	15%	$12,750
$48,600	$125,450	$6,652.50	25%	$48,600
$125,450	$203,150	$25,865.00	28%	$125,450
$203,150	$398,350	$47,621.00	33%	$203,150
$398,350	$425,000	$112,037.00	35%	$398,350
$425,000		$121,364.50	39.6%	$425,000

ALTERNATIVE MINIMUM TAX (AMT) - INDIVIDUALS

Tax Rate 26% of AMT income to.........$179,500*

28% of AMT income over......$179,500*

$89,750 for married taxpayers filing separately

Filing Status	*Exemption Amount* (Reduced as AMT income exceeds phase-out base.)	*Phase-Out Threshold*	*Full Phase-Out*
Joint Return	$80,800	$153,900	$477,100
Single and HH	$51,900	$115,400	$323,000
Married Separate	$40,400	$ 76,950	$238,550
Estates and Trusts	$23,100	$ 76,950	$169,350

ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, taxpayer is required to deposit by withholding or estimated tax payments an amount equal to the lesser of:

1. ***90% of current year tax liability, OR***
2. ***One of the following amounts:***
   - ***a. If the taxpayer's AGI exceeds $150,000*, 110% of the prior year's tax liability.***
   - ***b. Otherwise, 100% of the prior year's tax liability.***

**$75,000 for taxpayers filing married separate.*

2013 TAX CALENDAR

January 15	4th Quarter 2012 Estimate Due
April 15	2012 1040 or Extension Due
April 15	1st Quarter 2013 Estimate Due
June 15	2nd Quarter 2013 Estimate Due
June 30	FBAR Form Due
July 31	Pension Plan (Form 5500) Returns Due (calendar yr plans)
September 16	3rd Quarter 2013 Estimate Due
October 15	2012 1040 Extension Returns Due