WITH ALL THE CONGRESS UNCERTAINTY, CAN WE PROVIDE PLANNING FOR YEAR-END 2012? YES – AND THIS YEAR IT IS NECESSARY!

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In the 22 years of service I have provided as an advisor, I have not seen any year more complex that this one. My suggestion is to get to your advisors, sooner rather than later, for 2012/2013 planning. For example, unless something is done in Congress, the federal individual income tax rates themselves will increase as follows:

Current Rate	2013 Rate
10% and 15%	15%
25%	28%
28%	31%
33%	36%
35%	39.6%

Additionally, if Congress does nothing, the tax rates on qualified capital gains and dividends are scheduled to significantly increase after 2012. For long-term capital gains, the rates are scheduled to be at a maximum of 20%. Dividends may be taxed at the ordinary rates above, **plus** another 3.8% Medicare surtax for higher-income individuals, trusts and estates, which could change the federal taxation of dividends from a 15% rate to up to **43.4%**. On January 1, 2013, the Medicare surtax is scheduled to be imposed on most passive income. It is currently unclear if the government is going to allow an offset of passive losses against the surtax. Therefore, part of your year-end planning should be to determine whether or not to sell off assets and recognize gains in 2012, thereby taking advantage of the lower capital gain rate today while avoiding the additional taxation potential in 2013. Here is an incentive for all of us to reevaluate our investment portfolios, IRA's and other assets.

For those of you that are recently retired, you may wish to consider taking your RMD (required minimum distribution) immediately before the year end 2012. Although the distribution itself will not be subject to the 3.8%, it may place you at a higher income level in 2013 that could dramatically affect your tax situation.

There are even more reasons to consult us sooner rather than later, including the loss of a host of favorable provisions for many items such as education, the earned income tax credit, the credit for dependent care expenses and the child credit. There are items such as the exclusion for discharge of qualified principal residence debt that will not apply to debt that is discharged after December 31, 2012.

Finally, businesses, I mean you too! There are expired and expiring provisions that may take some additional planning, such as the 50% Bonus depreciation allowance that is scheduled to expire after 2012. Some of the favorable business credits, such as the Research Credit, expired after 2011 and would need Congress to act to be extended. Additionally, President Obama has promised to move forward with the implementation of the Affordable Care Act which is scheduled to be effective during and after 2013.

Bottom line – schedule an appointment with all of your financial and tax advisors before year end to discuss your specific circumstances!