

The Bankler Report

January 3, 2012

INTRODUCTION

With the new year, taxes and limitations have changed. Some of the most common changes include:

2012 Changes in W-2 reporting

2012 W-2s (which will be issued in January, 2013) **MUST INCLUDE** the cost of all types of health coverage. These costs, **NOT JUST MAJOR MEDICAL**, must be included in Box 12 and estimates are not permitted. Under transition rules for 2012, the IRS will require this reporting for employers who issue 250 or more W-2s (total W-2s and NOT 250 employees!).

2012 limits 100% Expensing of Assets (\$179 property)

Beginning 1/1/12, taxpayers can elect to expense \$139,000 of NEW or USED tangible personal property acquired and placed into service. This amount is subject to a phaseout once property placed into service exceeds \$560,000.

Traditional IRA Contributions/Phaseouts

In 2012, the \$5,000 (\$6,000 for those age 50 or older) contribution limit remains unchanged from 2011. If the taxpayer is an active participant in a qualified retirement plan, the contribution deduction in 2012 is phased out beginning at a modified adjusted gross income (AGI) of \$58,000 for single and head of household (up from \$56,000 in 2011) and \$92,000 for married taxpayer filing a joint return (up from \$90,000 in 2011). If a taxpayer is NOT an active participant, the contribution is fully deductible.

Roth IRA Contributions/Phaseouts

In 2012, the \$5,000 contribution limit remains unchanged from 2011. Roth IRA contributions are also subject to income limits. The contribution in 2012 is phased out beginning at a modified adjusted gross income (AGI) of \$110,000 for single and head of household (up from \$107,000 in 2011) and \$173,000 for married taxpayer filing a joint return (up from \$169,000 in 2011).

Gift/Estate Tax Planning.

This year's annual gift tax exclusion is unchanged at \$13,000. A married couple can give \$26,000 per donee to children/grandchildren, which generally will be excluded for gift taxes and will also be excluded from your estate. For larger estates, consider making "taxable" gifts and utilizing the current \$5,000,000 exemption, as this is set to expire 12/31/12.