



# CLIFF NOTES



**ESTATE PLANNING COUNCIL OF SAN DIEGO**  
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# Who Am I?



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# American Taxpayer Relief Act of 2012

## LOWLIGHTS



- Top rate of 39.6 % (v. 35 %) on \$ 400k/450k
- 2 % Social Security reduction expired
- Max capital gains and Q-dividends 20 %
- Itemized deduction phase out is back
- Exemption phase out too on \$ 250k/300k
- Gift tax/estate tax rate now 40 % (from 35 %)
- NII tax of 3.8 % stays on \$ 200k/250k

# HIGHLIGHTS



- Permanent AMT exemption patch (to 2012)
- \$ 1,000 Child Tax Credit extended
- Also American Opportunity & Earned Income
- Discharge of qualified principal res exclusion
- Deduction for state and local taxes extended
- PMI as residence interest extended
- \$ 250 above-the-line teacher's expenses
- IRA to charity exclusion (also 1/13 to 2012)

# HIGHLIGHTS (continued)



- 15-year depr and 179 on qualified TI's
- Sec 179 limit is \$ 500k for both 2012/2013
- 50 % bonus depreciation extended
- Work Opportunity Credit extended
- R & D credit extended
- Medicare physician payments cut postponed

# C corp's vs. S corp's/LLC's



- Anyone out there still have C corp clients?
- NOTE: Reducing corp tax rate to 28 % no go
- S corp distributions not subject to NII tax
- Valuation becomes even more important
- S Corp built-in gains 5 years for sales 2012/13

# Asset Allocation



- Stock market hasn't crashed yet...
- Nor has the bond market...
- However saw significant gain harvesting 2012
- Increase in non-traditional assets allocation

# Roth IRA's



- 401-k's to so-called Roth 401-k's
- But no 2-year payment plan
- Vanguard: only 244,356 2010 conversions
- Vanguard: less than 2 % of plans allow option
- Great estate planning technique for wealthy



# International Domestic Sales Corp's



- For exporters
- 2012: 15 % Q-div v. 35 % = 20 % on comm's
- 2013: 15 % to 18 % depending...
- Thus greater focus on “T x T” analysis

# Captives and ESOP's and Sec 79



- Captives (831b) will become more popular
- So will the use of ESOP's
- Section 79 maybe not because of C corp need
- 457(f) planning unaffected

# Cost Segregation



- Postponement of mandatory 2012 to 2014
- This is a huge opportunity to act on NOW
- 9 classes of real estate assets (at least)
- Repair v. capitalize

# QSBS



- 100 % of gain excluded
- If acquired post 9/27/2010
- And before 1/1/2014
- And held for at least 5 years
- And not an AMT preference item

# Predictions



- Debt ceiling and Sequestration down to wire
- Sequestrations resumes March 1
- Budget technically expires March 27
- Further “tax reform” unlikely in 2013
- Dodd-Frank rolls along (look out small banks)
- Chicago Cubs will not win the World Series

# Potpourri



- CA Prop 30 underpayment penalties n/a
- Windsor Case heading to Supreme Court
- Yikes on Form 4562
- More high-income taxpayer audits

# What does all of this mean?



- Compliance-based practices under pressure
- More estate planners than \$ 10m + families
- CPA staff morale at all-time low
- Branding/differentiation opportunity
- Succession planning opportunity

# Questions?



I am here to serve!

**Thank you!**

**Richard Muscio is...**

**The Family Office Guy**