

Duvall & Associates, Inc.

Taking Care of Business

THE FINE ART OF RAISING TAXES

"Sneaky Boy...While we...took a snooze, your mind was racing."
Richard Thompson

In a somewhat futile attempt to be apolitical, I will simply state it is immediately obvious many politicians feel the ultimate solution to the nation's economic malaise is a tax hike on the "wealthy". Re-phrased - socialist agendas can be accommodated by way of wealth transfer from the rich to the less well-endowed.

In the near term at least, the in-your-face threat of tax hikes has been temporarily shelved. But what is difficult to accomplish in the open, can be more easily achieved by way of sneaking through the back door.

Tax increases are indeed on their way, and are written into stone tablets of law. You just have to pay attention and keep firm hold of your wallets. All of the following sneaky tax hikes are effective beginning in 2013.

Sneaky Tax Hike #1 - Taxpayers who earn over \$200,000 (\$250,000 joint returns) will be subject to a Medicare surcharge of 0.9% tax on said earned income.

Sneaky Tax Hike #2 - A 3.8% Medicare tax will be imposed on the lesser of (1) a taxpayer's net investment income including capital gains or (2) modified Adjusted Gross Income (AGI) in excess of \$200,000 (\$250,000 joint returns).

Sneaky Tax Hike #3 - The threshold for itemize deducting medical expenses is increased from 7% to 10% of AGI.

Sneaky Tax Hike #4 - Absent further legislation long-term capital gains rates will climb from 15% to 20% and tax rates on dividends will increase from 15% to 39.6%.

Further sneaky legislation being bantered about includes a 16.2% FICA/Medicare tax on Sub S flow-through income.

Beware the back-door political man.

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