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In more than 35 years as a certified public accountant, Greg Sevier said this year has probably been the most challenging one in which to do tax planning for clients.

"Until the last few years, most tax reform usually occurred enough in advance to have a better chance to plan for the future," said Sevier, managing partner of accounting firm Peterson, Peterson & Goss. "These last few years have been unusual?... but I think this year certainly has the largest number of items for which we are uncertain. This has probably created as much uncertainty as what I've seen."

The "this" to which Sevier referred is a series of tax cuts set to expire this year, combined with cuts in a number of programs funded through the federal government.

Known as the "fiscal cliff" the package of impending tax increases includes higher federal income tax rates and increasing rates on capital gains and dividends. It also includes the expiration of a number of tax-reduction provisions for businesses and the end of measures that lowered taxes on many gifts and estates.

Tax accounting chiefs said the general expectation is that last-minute action by Congress and President Obama will stave off the effects of the fiscal cliff.

"But really nobody knows," said Steve Houlik, executive vice president at Allen, Gibbs & Houlik.

Lori Davis, Wichita office managing partner for Grant Thornton, said they are calling the coming tax event, "taxmageddon" at her office.

Davis and her peers said the uncertainty of what will happen with various credits

“I think the big word here is uncertainty and you’d better take advantage” of the exemptions and credits that are in place now, Sevier said.

Houlik of AGH said fiscal cliff issues make some of the guidelines that are generally followed all but useless.

“It used to be?... the name of the game was accelerate expenses and defer income,” Houlik said. “Now, it’s just the opposite. (But) it’s so individualistic. Most tax questions are so fact specific you have to look at each individual company and each specific situation.”

Some of the key exemptions for business owners and partners set to expire after the 2012 tax year are the estate and gift tax exemptions on mostly non-cash items, such as business ownerships and real estate ownerships, the level of which is set to fall from $5?million to $1?million.

Houlik, Davis and Sevier said many of their clients are planning to take advantage of that exemption this year. “I think there will be substantial gifts (made) in December of 2012,” Houlik said.

Davis said as of now the tax rate on capital gains is set to increase to 20 percent from 15 percent, and the rate on qualified dividends will increase from 15 percent to an individual taxpayer’s income tax rate. So some clients could see their taxable rate on income from dividends more than double.

She said that doesn’t include a new 3.8 percent Medicare tax on higher income households with unearned income, such as from interest and dividends. “That may impact how they invest their money,” Davis said.

Sevier said accelerated depreciation deductions on equipment are also set to expire at

challenging to stay on top of.

There's just a lot of things to consider," he said.

The one certainty that tax accounting chiefs agree on is that people who earn more than $250,000 a year will almost assuredly pay more in taxes.

But beyond that, it's anybody's guess, they said.

Davis said Republicans and Democrats could settle on a compromise that could change what exemptions and credits are set to expire, as well as whether income tax rates increase. Or, she said, "they kick that can and extend them one more year. Or they let things go down the cliff."

Added Sevier: "It affects individuals. It affects businesses. There will be a number of people affected by what Congress does — or doesn't do."

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Income Tax