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House and Senate on January 1, 2013.

Jan. 03, 2013

With the tax side of the fiscal cliff narrowly averted, CCH has issued a new analysis called the: [Tax Briefing: American Taxpayer Relief Act](#), covering provisions of the new legislation. The act was the bill agreed to by the U.S. House and Senate on January 1, 2013.

The American Taxpayer Relief Act allows the Bush-era tax rates to sunset after 2012 for individuals with incomes over \$400,000 and families with incomes over \$450,000; permanently “patches” the alternative minimum tax (AMT); revives many now-expired tax extenders, including the research tax credit and the American Opportunity Tax Credit; and provides for a maximum estate tax of 40 percent with a \$5 million exclusion.

The Act also delays the mandatory across-the-board spending cuts known as sequestration. President Obama said that he will sign this legislation as soon as it reaches his desk.

Individuals with incomes above the \$450,000/\$400,000 thresholds will pay more in taxes in 2013 because of a higher 39.6-percent income tax rate and a 20 percent maximum capital gains tax. And, all taxpayers will find less in their paycheck in 2013 because of what the American Taxpayer Relief Act did not include: the new law effectively raises taxes for all wage earners (and those self-employed) by not extending the 2012 payroll tax holiday that had reduced OASDI taxes from 6.2 percent to 4.2 percent on earned income up to the Social Security wage base (\$113,700 for 2013).

“The American Taxpayer Relief Act is nowhere close to the grand bargain once envisioned by the President and many lawmakers, but it’s a major plus for taxpayers

that the 2001 and 2003 tax act changes have finally been made permanent after years

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