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Isaac M. O'Bannon • Sep. 27, 2012



Uncertainty Poses Challenges for Tax Planning

Everyone has heard the old Benjamin Franklin quote about the only certain things in life being death and taxes. The certainty of taxes, however, is far more subjective than the first.

This is not only because of the inherent complexity of the modern tax code, but also

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The **Alternative Minimum Tax** “band-aid” is also a familiar source of angst, and it is once again set to expire at the end of the year. This would increase the number of taxpayers exposed to the AMT by returning the exemption amount to a lower amount.

Other tax provisions set to expire next year include the 15 percent **Capital Gains Tax** rate, and reverting of the **Unified Gift and Estate Tax Exemption**. The first would result in the maximum capital gains tax rate returning to 20 percent next year, while the second would return combined gift and estate tax exemption back to \$1 million from the current \$5.12 million.

There are even **more provisions set to change or expire**, including credits for things as varied as adoption, electric vehicles, energy efficiency, veteran employment, teaching expenses and even mortgage premiums.

Although all of these potential changes in taxation can lead to uncertainty, particularly when also preparing for planned and unplanned life events of taxpayers, there are several programs on the market designed to give tax professionals tools for planning multiple scenarios.

The systems in this review section all include at least the current tax code, along with anticipated phase-ins and phase-outs, make it easier to project tax liabilities and develop strategies for minimizing them in several scenarios, such as: What if the AMT reverts, but the estate tax doesn't? What if the Bush Tax cuts expire partially or in whole? What about the other various credits?

Depending on the needs and complexities of your firm's 1040 clients, some of the programs also offer further advanced tools, planning for dozens or even unlimited future and past years across multiple scenarios, and even integration with tax

research resources, expert analysis and opinion. Many also offer the tax code and

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financial decisions that reduce tax liability not only for the most complex clients, but for more traditional households, as well. And it doesn't require having a crystal ball to predict what parts of the code will or will not change. What it does take are the right planning and preparation systems.

As complex as individual income taxation is, particularly in the coming few years, tax planning engagements are an increasingly valuable service that can help reassure your clients that you can help them prepare for virtually any changes.

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Potential Tax Changes for 2012

Affordable Care Act (ObamaCare)

2001 & 2003 Tax Cuts (Bush Tax Cuts)

Alternative Minimum Tax (AMT)

Capital Gains Tax (CGT)

Unified Gift & Estate Tax

Numerous Credits

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