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**Taija Sparkman** • Jan. 04, 2013

Many businesses and taxpayers spent the last weeks and days of 2012 awaiting a resolution for the impending fiscal cliff. Now that a deal has been made, everyone wants to know: *What does this mean for me?*

Geoff Harlow, member expert of [the Illinois CPA Society](#), highlighted the top areas of interest that are impacted by the new legislation. The main areas are:

- **Payroll Tax Holiday** – The payroll tax holiday that decreased the amount of Social Security tax withheld from paychecks has expired. This means that many consumers will take home an average of \$1,000 less net pay in 2013 and self-employed individuals will also see an increase in self-employment tax.
- **Child and Education-Related Credits & Deductions**– Many child and education-related credits were extended. The adoption credit and dependent care credit were both permanently extended, while the \$250 deduction for teachers' classroom expenses was extended for two years.
- **Alternative Minimum Tax** – The Alternative Minimum Tax exemption was permanently increased to 2012 "patch" levels. Individuals that paid the AMT in 2011 and have similar income and deductions for 2012 will more than likely have to pay the AMT for 2012 and future years unless their income and deductions change significantly.
- **2013 Tax Rates** – As part of the legislation, the tax rates for 2013 for higher-income individuals were increased. Taxpayers affected by the new tax rates will see an increase of 5 percent or more when filing next year.
- **Capital Gains and Investments** –Taxpayers with a Modified Adjusted Gross Income of \$250,000 or more will be subject to a 3.8 percent tax on net investment income. Net investment income includes interest, dividends, capital gains, rents and royalties.

For more tips and advice on tax and financial planning matters, contact your local

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