

ESTATE PLANNING ALERT

In October, the Internal Revenue Service announced that for 2012, personal exemptions and standard deductions will rise and tax brackets will widen due to inflation. By law, the dollar amounts for a variety of tax provisions, affecting virtually every taxpayer, must be revised each year to keep pace with inflation. New dollar amounts affecting 2012 returns, filed by most taxpayers in early 2013, include the following:

Personal and Dependent Exemption. The value of each personal and dependent exemption, available to most taxpayers, is \$3,800, an increase of \$100 from 2011.

Standard Deduction. The new standard deduction is \$11,900 for married couples filing a joint return, up \$300, \$5,950 for singles and married individuals filing separately, up \$150, and \$8,700 for heads of household, up \$200. Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.

Tax-Bracket Thresholds Increase. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15-percent bracket from the 25-percent bracket is \$70,700, up from \$69,000 in 2011.

Estate Tax Exemption. For an estate of any decedent dying during calendar year 2012, the basic exclusion from estate tax amount is \$5,120,000, up from \$5,000,000 for calendar year 2011.

Annual Gift Tax Exclusion. The annual exclusion for gifts remains at \$13,000.

Please contact us at your earliest convenience if you wish to discuss how these changes may affect your estate plan.