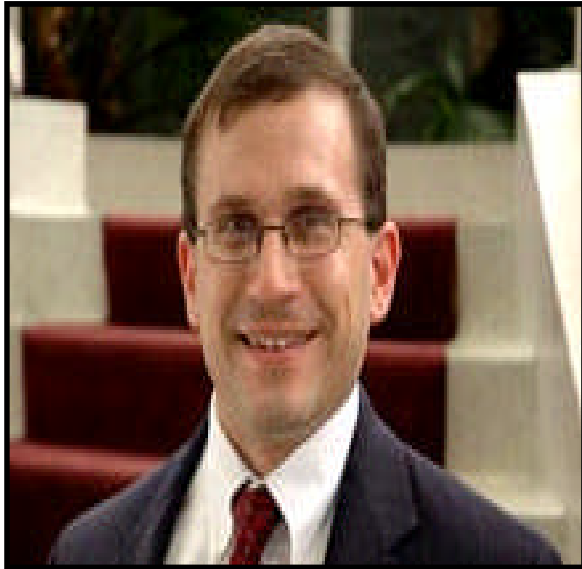


FISCAL CLIFF AVERSION, NEW TAX LAW IMPLICATIONS

Sponsored by:



James J. Holtzman, CFP®, CPA



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- James J. Holtzman, CFP®, CPA is an Wealth Manager and Shareholder with Legend Financial Advisors, Inc.® (Legend)
 - Jim has been selected two consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”
 - Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.
 - Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses.
- Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.
 - Jim is a member of the Pennsylvania and American Institute of Certified Public Accountants. He is also a graduate of the Pittsburgh Leadership Development Initiative, which provides young leaders with the tools necessary to affect positive change in the Pittsburgh region, and Pittsburgh Leadership Onboard Programs.
 - Jim also serves on the LaRoche College Board of Governors, is a member of Pittsburgh Cares, and is a former member of the Finance Committee for the Pittsburgh Downtown Partnership.
 - Jim has been quoted in *The Wall Street Journal*, *The Wall Street Journal Online*, *MSN Money*, *CBS Marketwatch*, *Pittsburgh Post-Gazette*, *Bloomberg Wealth Manager*, *Financial Planning Magazine*, *Financial Advisor Magazine*, *National Underwriter*, *Smart Money*, *Investment News*, *Physician’s Personal Advisory*, and in *Bottom Line Personal*. Jim has been interviewed on CNNfn’s “Your Money” and “Business Unusual,” as well as WPXI-TV’s “Our Region’s Business” television programs.

ORDINARY INCOME TAX RATES

CCH PROJECTED* TAX RATES FOR 2013

UNDER AMERICAN TAXPAYER RELIEF ACT OF 2012

Single Individuals

If taxable income is:	The tax will be:
Not over \$8,925	10% of taxable income
Over \$8,925 but not over \$36,250	\$892.50 plus 15% of the excess over \$8,925
Over \$36,250 but not over \$87,850	\$4,991.25 plus 25% of the excess over \$36,250
Over \$87,850 but not over \$183,250	\$17,891.25 plus 28% of the excess over \$87,850
Over \$183,250 to \$398,350	\$44,603.25 plus 33% of the excess over \$183,250
Over \$398,350 to \$400,000	\$115,586.25 plus 35% of the excess over \$398,350
Over \$400,000	\$116,163.75 plus 39.6% of the excess over \$400,000

Married Couples Filing Jointly

If taxable income is:	The tax will be:
Not over \$17,850	10% of taxable income
Over \$17,850 but not over \$72,500	\$1,785 plus 15% of the excess over \$17,850
Over \$72,500 but not over \$146,400	\$9,982.50 plus 25% of the excess over \$72,500
Over \$146,400 but not over \$223,050	\$28,457.50 plus 28% of the excess over \$146,400
Over \$223,050 but not over \$398,350	\$49,919.50 plus 33% of the excess over \$223,050
Over \$398,350 but not over \$450,000	\$107,768.50 plus 35% of the excess over \$398,350
Over \$450,000	\$125,846 plus 39.6% of the excess over \$450,000

* The IRS is expected to release official 2013 tax rate tables shortly now that legislation has resolved the uncertainty surrounding the rates.

LONG-TERM CAPITAL GAIN TAX RATE

- a. **Increases From 15.0 % To 20.0% To The Extent That A Taxpayer's Taxable Income Exceeds The Thresholds Set For The 39.6% Rate.**
- b. **All Other Tax Rates Stay At 15.0%.**



QUALIFIED DIVIDENDS

a. Increases From 15.0% To 20.0% To The Extent That A Taxpayer's Taxable Income Exceeds The Thresholds Set For The 39.6% Rate.

b. All Other Tax Rates Stay At 15.0%.



ZERO PERCENT CAPITAL GAIN TAX RATE

a. Will Still Apply For Taxpayers Below The 15.0% Income Tax Bracket.



MARRIAGE PENALTY RELIEF

a. Extended Permanently.



AMT PATCH

- a. AMT Exemption Is Increased: \$78,750.00 For Married Filing Joint And \$50,600.00 For Single Filers.**
- b. Permanent Fix.**
- c. AMT Exemption Will Be Inflation-Adjusted Annually.**

ITEMIZED DEDUCTION LIMITATION

- a. Reinstated But At Higher Adjusted Gross Income Levels.**
- b. Beginning At \$300,000.00 Adjusted Gross Income For Married Filing Joint.**
- c. Beginning At \$250,000.00 Adjusted Gross Income For Single Filers.**
- d. Inflation-Adjusted Going Forward.**

PERSONAL EXEMPTION DEDUCTION LIMITATION

- a. Reinstated But At Higher Adjusted Gross Income Levels.**
- b. Beginning At \$300,000.00 Adjusted Gross Income For Married Filing Joint.**
- c. Beginning At \$250,000.00 Adjusted Gross Income For Single Filers.**
- d. Inflation-Adjusted Going Forward.**

IRA DISTRIBUTION TO CHARITY

- a. A Tax-free Transfer Of Up To \$100,000.00 To Charity By Taxpayers Over The Age Of 70 ½ Is Extended Through 2013.**

EXCLUSION OF CANCELLATION OF INDEBTEDNESS ON PRINCIPAL RESIDENCE

a. The Exclusion From Income For Cancellation Of Mortgage Debt Up To \$2 Million On A Principal Residence Has Been Extended Through 2013.



RETIREMENT PLAN ROTH CONVERSIONS

- a. Old Law Only Allowed Roth 401(k) Conversion For Plans That You Were Eligible To Take A Distribution From The Plan, I.E. Age 59 ½, Death, Disabled, Separated From Service Or Allowed To Take In-Service Withdrawals.**
- b. New Law Allows 401(k) Plan Participants To Convert Pre-Tax Salary Into A Post-Tax Roth 401(k).**
- c. Employer Plan Must Offer In-Plan Roth Conversion Features.**

MORTGAGE INSURANCE PREMIUM DEDUCTION

a. Extended For 2012 And 2013.



STUDENT LOAN INTEREST DEDUCTION

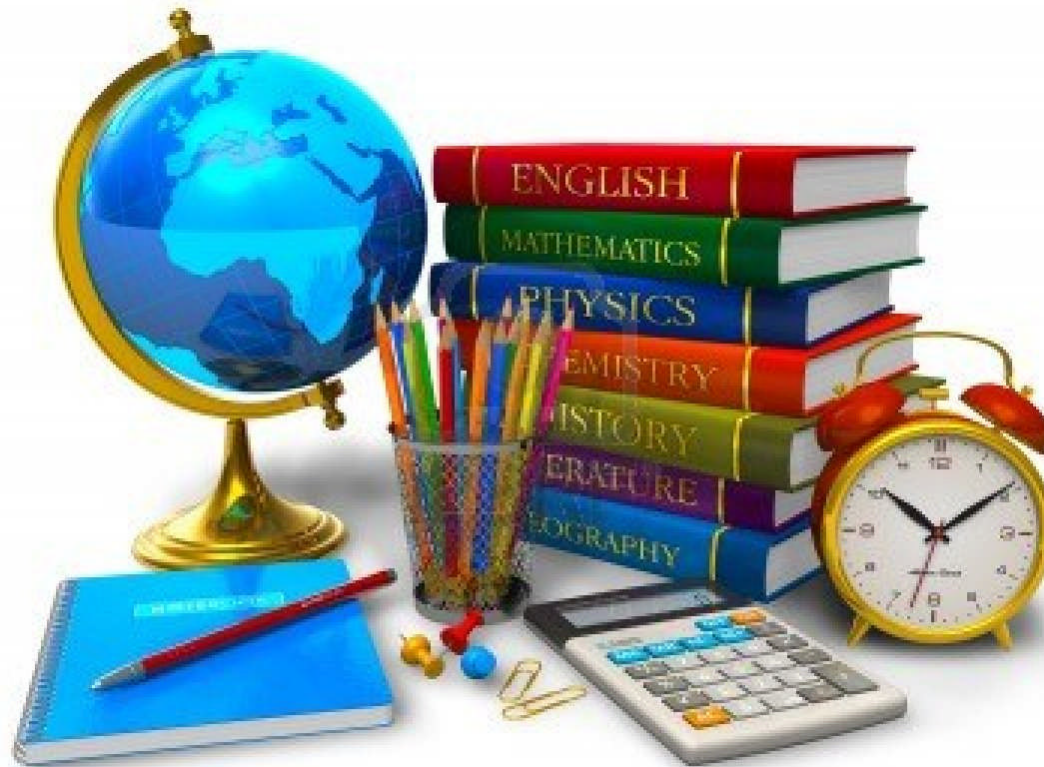
- a. 60-Month Limit For Deducting \$2,500.00 Of Interest Expense Is Permanently Eliminated.**
- b. Adjusted Gross Income Range Was Also Expanded.**



QUALIFIED TUITION AND RELATED EXPENSE DEDUCTION

a. \$4,000.00 Deduction Is Extended Through 2013.

b. Also Retroactively Extended For 2012.



STATE AND LOCAL SALES TAX DEDUCTION

Extended For 2012 And 2013.



ENERGY CREDIT FOR INDIVIDUALS

- a. Available For Individuals That Make Energy Efficiency Improvements To Their Existing Residence For 2012 And 2013.
- b. Lifetime Credit Limit Is \$500.00.



WORK OPPORTUNITY TAX CREDIT

- a. Extended For 2012 And 2013.
- b. This Credit Rewards Employers For Hiring Individuals From Targeted Groups.



RESEARCH TAX CREDIT

a. Extended For 2012 And 2013.



CHILD AND DEPENDENT CARE CREDIT

- a. **35.0% Credit Rate Is Permanent.**
- b. **\$3,000.00 Cap On Expenses For One Qualifying Child And \$6,000.00 Of Two Or More Qualifying Children Is Permanent.**



ADOPTION CREDIT

- a. Permanent Extension Of Enhancements To Adoption Credit And Income Exclusion For Employer-Paid Or Reimbursed Adoption Expenses Up To \$10,000.00.**



ENHANCED EARNED INCOME CREDIT

a. Extended Through 2017.



CHILD TAX CREDIT

a. Permanent \$1,000.00 Credit.



American Opportunity Tax Credit

a. Five-Year Extension.

b. \$2,500.00 Credit.



COVERDELL EDUCATION SAVINGS ACCOUNT

- a. Maximum Contribution Is Permanently Set At \$2,000.00.**
- b. Will Also Include Tax-Free Treatment Of Elementary And Secondary School Expenses.**



EMPLOYER-PROVIDED EDUCATION ASSISTANCE

a. Exclusion From Income For Employer-Provided Education Assistance Of Up To \$5,250.00 Is Permanent.



SECTION 179 SMALL BUSINESS EXPENSING

- a. For 2012 And Through 2013, Section 179 Depreciation Deduction Will Have A \$500,000.00 Allowance And \$2,000,000.00 Investment Limit.**



BONUS DEPRECIATION

a. For 2012 And Through 2013, Bonus Depreciation Of 50.0% Will Be Available.



FEDERAL ESTATE TAXES

- a. Federal Estate Exemption Is \$5,250,000.00 For 2013 And Will Be Adjusted For Inflation Annually.**
- b. Federal Estate Tax Rate Increase To 40.0% From 35.0%.**
- c. The Portability Of Unused Federal Estate Exemption Amount To Surviving Spouse Has Been Made Permanent.**
- d. Extension Of The Deduction For State Estate Taxes.**

GIFT TAX

a. 40.0% Tax Rate.

b. Unified With The Federal Estate Tax Exemption Of \$5,000,000.00.



ONE YEAR EXTENSION OF FEDERAL UNEMPLOYMENT BENEFITS



PAYROLL TAX HOLIDAY

a. The Payroll Tax Holiday Has Not Been Extended.



Cassandra Hubbard, AOL

THERE ARE 9 ADDITIONAL ENERGY CREDITS EXTENDED THROUGH 2013. THREE ENERGY CREDITS WERE NOT RENEWED.



**THERE ARE APPROXIMATELY 25 ADDITIONAL BUSINESS
TAX EXTENDERS**



THERE WERE 4 BUSINESS TAX EXTENDERS NOT RENEWED



2-MONTH POSTPONEMENT OF SPENDING CUTS

- a. The House Of Representatives Has Postponed Dealing With The Spending Cuts Until March 1, 2013.**

- b. As Part Of The 2011 Debt Ceiling Vote, Congress Agreed To Cut Spending By \$1.2 Trillion By December 31, 2012. If Not, Then \$100 Billion Of Discretionary Spending Would Be Cut Each Year For Nine Years.**

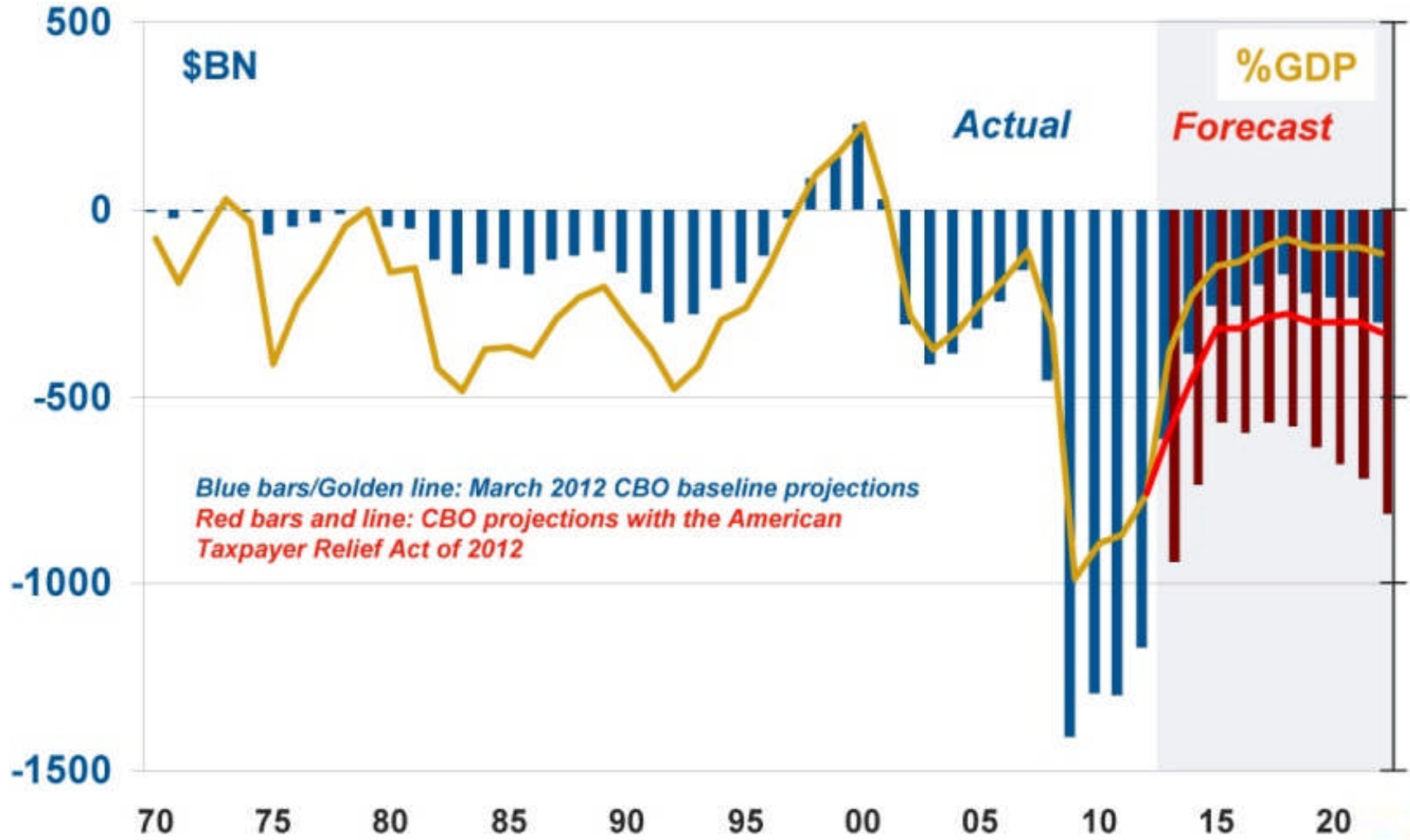


DEBT CEILING

U.S. Treasury Has Taken Steps To Hold Off A Default Between February 5, 2013 And March 1, 2013.



U.S. GOVERNMENT DEFICIT



Note: The Fiscal Cliff deal still implies the U.S. Economy will suffer fiscal drag.

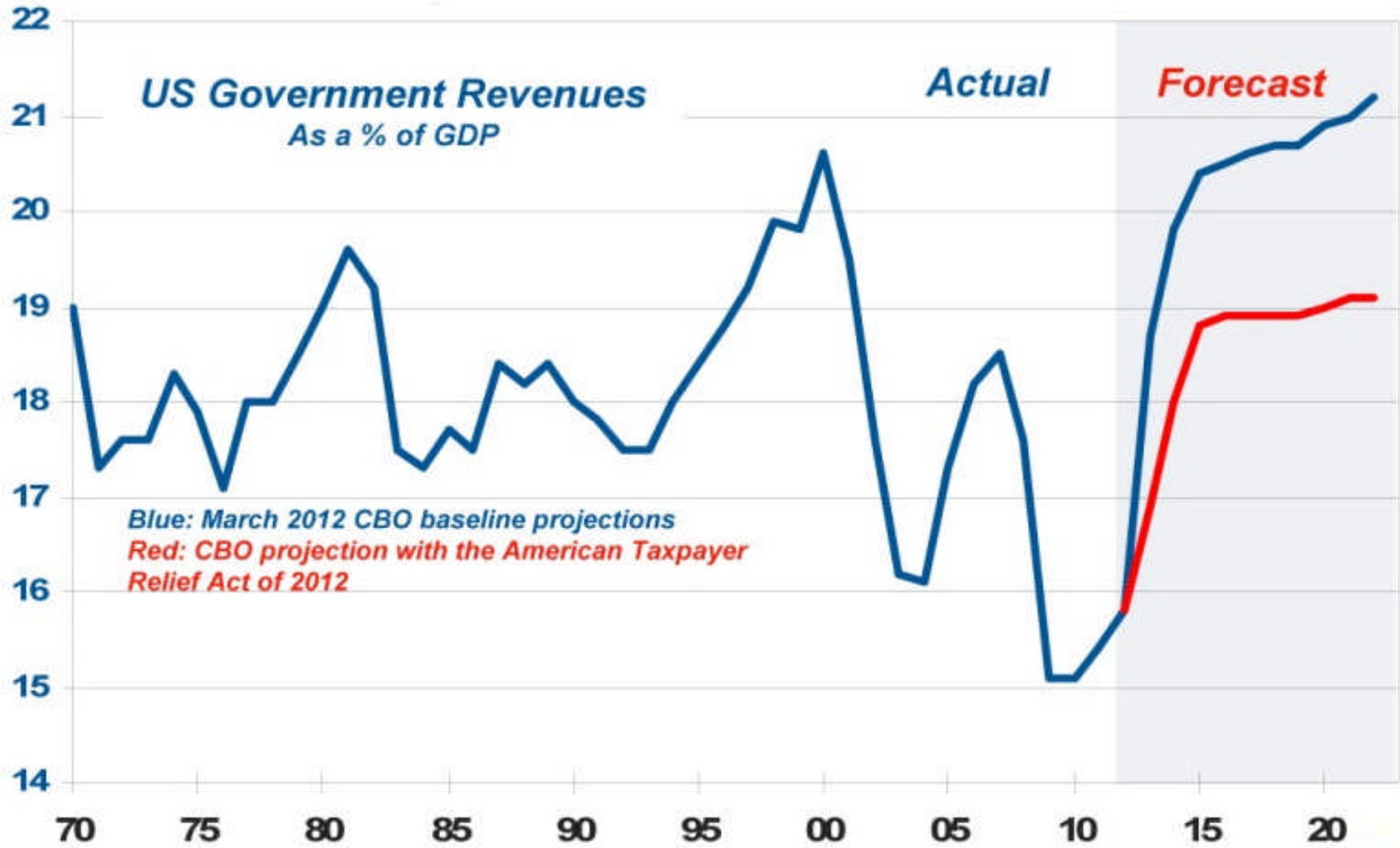
As of: January 4, 2013

Source: DundeeWealth, *Financial Monitor*, January 4, 2013,
www.dundeewealththeconomics.com

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U.S. GOVERNMENT REVENUES



Note: Further tax rises and spending cuts could result from U.S. Debt Ceiling negotiations.

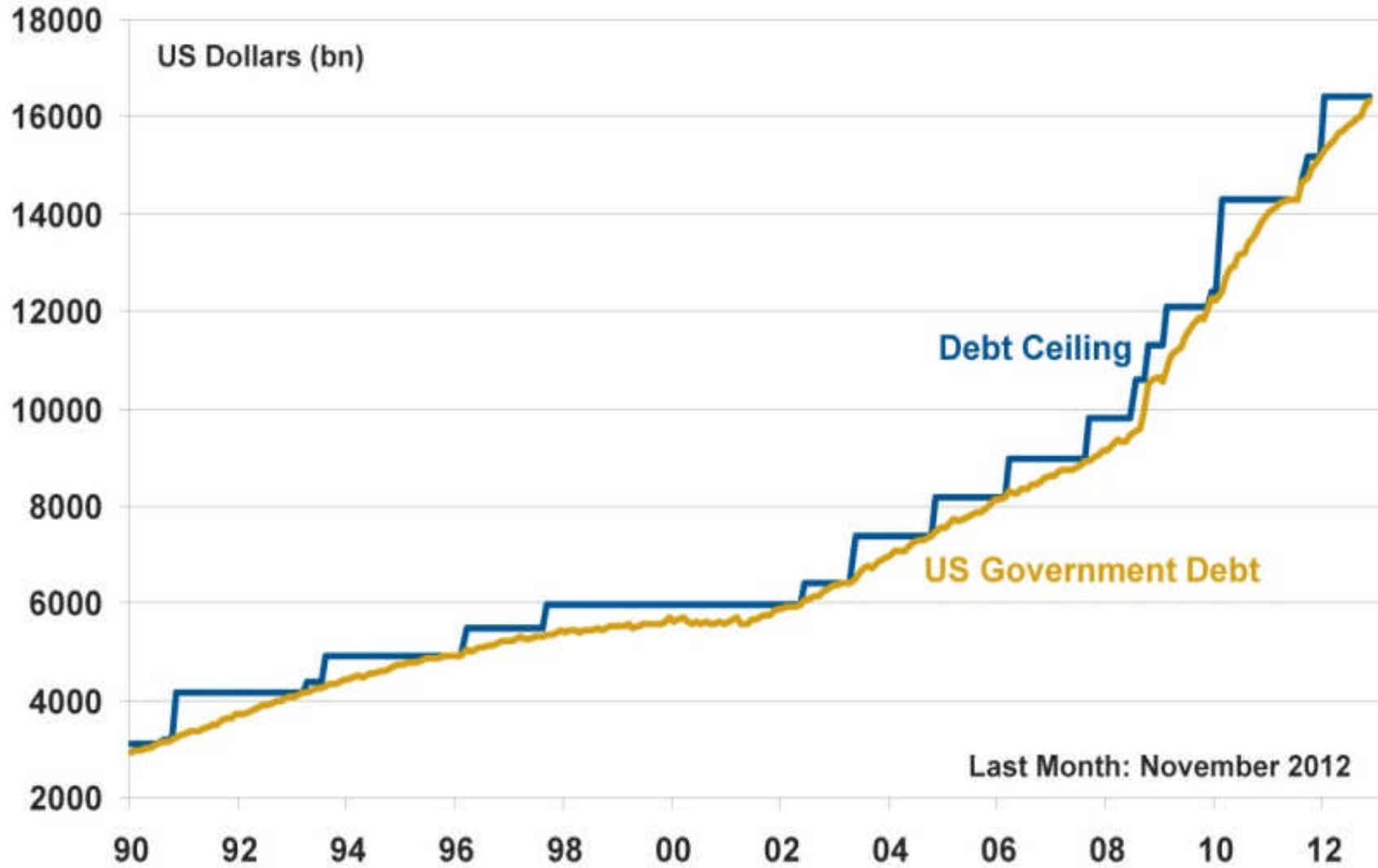
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U.S. GOVERNMENT DEBT AND DEBT CEILING



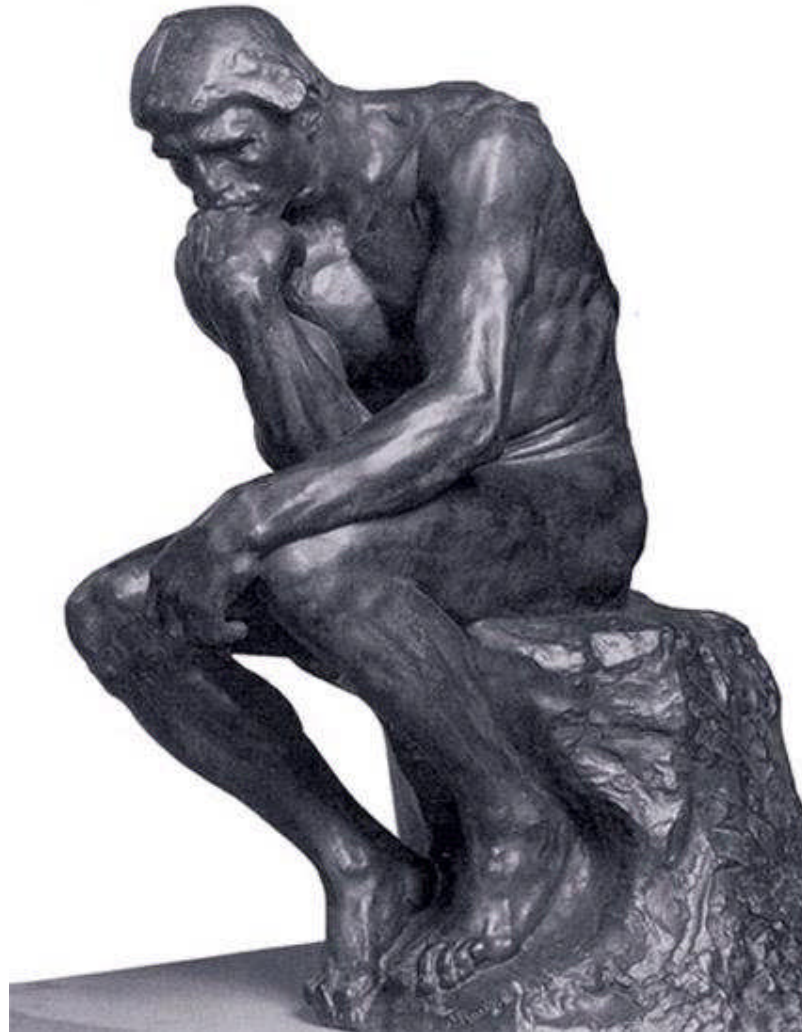
As of: November, 2012

Source: Thompson Datastream via DundeeWealth, *Financial Monitor*, January 4, 2013, www.dundeewealthconomics.com

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QUESTIONS AND ANSWERS





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