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HOOK LAW CENTER
Legal Power for Seniors

Tel: 757-399-7506
Fax: 757-397-1267

Locations:

Virginia Beach
295 Bendix Road, Suite 170
Virginia Beach, VA 23452

Suffolk
5806 Harbour View Blvd.,
Suite 203
Suffolk, VA 23435

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The American Tax Payer Relief Act 2012: A Basic Overview

by Shannon Laymon-Pecoraro, Esq.

Over the course of the last year, many Americans turned their focus to the potential spike in income and estate taxes as the Bush-era tax cuts were coming to an end. While America avoided this "fiscal cliff," the American Taxpayer Relief Act of 2012 (ATRA) was not just a preservation of the status quo.

Many of the Bush-era tax cuts and previously lapsed tax provisions were made permanent under the code. Aside from the new Medicare tax that came into affect on January 1, 2013 as a results of the Affordable Care Act and any new taxes imposed under state law, many Americans' will not notice a change in their paycheck. However, those taxpayers filing individual returns with an income of \$400,000 or more and joint filers with an income of \$450,000 will be exposed to the new 39.6% tax rate. This increased tax rate for top-bracket taxpayers was paired with a 5% tax raise on both long-term capital gains and qualified dividends. The expired itemized deduction and personal exemption thresholds were also re-implemented and - set at \$250,000 for taxpayers filing single retunes and \$300,000 for joint filers. However, popular tax credits such as the American Opportunity Tax Credit, Child Tax Credit, and the Earned Income Tax Credit were extended for another five years.

Few Americans realize trusts are subject to a compressed tax structure under the Internal Revenue Code. At \$11,950 of income, trusts are subject to a top tier tax rate of 39.6%. Combined with the increased capital gains, dividend, and Medicare tax rates, trusts can be subject to greater tax liability than other tax sources. Trustees should be aware of how these factors affect the trusts under their

The American Tax Payer Relief Act 2012: A Basic Overview (con't.)

control and learn to effectively manage the trust to control this liability.

Congress introduced the Charitable IRA rollover in 2006. This charitable tax break allowed those 70 1/2 years old to donate to charity up to \$100,000 from their IRA. The law expired on December 31, 2011, and Congress failure to reinstate the law prior to the end of 2012. To resolve this gap, Congress implemented a provision that would not only put the law back into effect for 2013, but allow for a retroactive rollover for 2012. Philanthropic elders must act quickly, however, if they would like to utilize the retroactive rollover provision - the deadline to act for 2012 is January 31, 2013.

With regard to estates, when ATRA came into effect, Congress implemented a new 40% estate tax rate. The \$5 million exemption was permanently implemented - coupled with an inflation adjustment and a portability election. This sets the 2013 estate tax exemption at \$5.25 million. For a married couple, with proper planning, they will be able to pass \$10.5 million to their beneficiaries without a gift or estate tax. As we move into the new year, it is important to review your estate plan to insure the provisions of the new law are incorporated into your estate plan.

It is also important to note that for the year 2013, the annual gift exclusion was raised to \$14 000. This means someone may gift up to \$14,000 in 2013 without paying any gift tax or fulfill any special reporting requirements to the IRS. Simply put, the annual gift tax exemption is an estate planning tool you can utilize that will enable you to make estate gifts prior to death.

While we may be well into the new year, there are obvious effects from the delayed implementation and various provisions of the American Taxpayer Relief Act of 2012. To discuss how this new law affects you, contact the attorneys and staff of the Hook Law Center.

Life situations change. Be sure your Estate Plan reflects your life - today.
Our Estate Planning attorneys will be happy to review your current plan and make any changes needed. Give us a call today to schedule your appointment..



Pet Travel

Hook Law Center: Kit Kat, is it safe for pets to travel on airplanes?

Kit Kat: Well, that's a complicated one to answer. The airlines do have a fairly good track record of transporting pets. However, there have been some mistakes, and in some cases the pet has died. So the airlines are beginning to make some changes. In the meantime, there are some things you can do as the owner to have your pet as safe as possible.

First of all, it is wise not to fly with a pet during the summer months. American Airlines does not accept checked pets for temperatures above 85 degrees F, nor below 45 degrees F. The cargo holds of planes are not climate-controlled. So really they are just covered shelter made of metal. And we all know what happens to metal in times of extreme heat or cold. If you must travel with your pet during the summer, try to get a night-time flight.

Next, take direct flights. Changing planes can be really stressful for a pet. You don't want to extend the time your pet is in the cargo hold. Also, make sure your pet is in good physical condition. If they are sick or wheezing, do not allow them to fly.

Some airlines are realizing that they cannot guarantee a safe flight, and they are eliminating pet transport services or limiting them. KLM has banned 4 breeds of snub-nosed dogs, like the pug, from flying. Snub-nosed breeds are prone to breathing problems. Delta is not permitting any pets on its B767s. United Airlines seems to be an exception. It has a PetSafe program, in which employees are trained in pet handling, and their vans are climate-controlled.

There may be more information available soon for pet owners to make an informed choice about whether to allow their pet to fly. The Department of Transportation (DOT) is considering a rule change in which airlines would have to provide consumers with information about their record on transporting pets. Currently, about 15 major airlines provide information to DOT, and their information is posted online. So stay tuned, and think carefully before you allow your pet to fly. Remember, you can also pay for private carriers that specialize in pet transportation if you are not comfortable with the normal large carriers, or if you have to travel during the summer or winter. (Information from Morieka Johnson, "As pet deaths continue, airlines pressured to change their ways," MNN.com, January 11, 2013)

Upcoming Events

- Hook Law Center is presenting a seminar to case managers and nurses on Veteran's Benefits at Heartland Hospice in Virginia Beach, VA on **February 8, 2013 at 8:30 a.m.**
- Hook Law Center will be speaking on the subject of Making an Elder Law Practice More Efficient at the VAELA Conference on **February 23, 2013** in Charlottesville, VA.
- Hook Law Center is hosting a reception to benefit the Chesapeake Humane Society at Hook Law Center's Suffolk location, 5806 Harbour View Blvd., Suite 203, Suffolk, VA 23435 on **March 14, 2013 at 5:30 p.m.**
- Hook Law Center is presenting a seminar on Estate and Long Term Care Planning to NARFE (National Active & Retired Federal Employees) Churchland Chapter 129 at Dennis' Steak and Spaghetti Restaurant, 3356 Western Branch Blvd., Chesapeake, VA on **April 9, 2013 at Noon.**
- Hook Law Center will be speaking on Reducing Medicare Liens at the Virginia Trial Lawyers Association meeting in Virginia Beach on **May 21, 2013 at 3:00 p.m.**

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