

**DEAN  
MEAD**

**Florida Institute of CPAs  
Brevard County Chapter  
Cocoa Beach, Florida**

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**PROPOSED TAX RATE CHANGES**

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**TAX RATE CHANGES****CURRENT TAX RATES FOR 2011, 2012 AND 2013****Individual Income Tax Rates (2011 and 2012)**

<b><u>Tax Bracket</u></b>	<b><u>Single</u></b>	<b><u>Married Filing Jointly</u></b>
10% Bracket	\$0 - \$8,375	\$0 - \$16,750
15% Bracket	\$8,375 - \$34,000	\$16,750 - \$68,000
25% Bracket	\$34,000 - \$82,400	\$68,000 - \$137,300
28% Bracket	\$82,400 - \$171,850	\$137,300 - \$209,250
33% Bracket	\$171,850 - \$373,650	\$209,250 - \$373,650
35% Bracket	\$373,650+	\$373,650+

## TAX RATE CHANGES

### **CURRENT TAX RATES FOR 2011, 2012 AND 2013**

#### **Estimated Individual Income Tax Rates (2013)**

<u>Tax Bracket</u>	<u>Single</u>	<u>Married Filing Jointly</u>
15% Bracket	\$0 - \$34,850	\$0 - \$58,200
28% Bracket	\$34,850 - \$84,350	\$58,200 - \$140,600
31% Bracket	\$84,350 - \$176,000	\$140,600 - \$214,250
36% Bracket	\$176,000 - \$382,650	\$214,250 - \$382,650
39.6% Bracket	over \$382,650	over \$382,650

The rates above also apply to ordinary income that flows through an S corporation, LLC or partnership to its shareholders, members or partners **3**

## TAX RATE CHANGES

### **CURRENT TAX RATES FOR 2011, 2012 AND 2013**

#### **Tax Rate on Long-Term Capital Gain (Non-Corporate Taxpayers)**

<u>2011 and 2012</u>	<u>2013</u>
15% maximum rate	20% maximum rate

These rates also apply to net long-term capital gain that flows through an S corporation, LLC or partnership to its shareholders, members or partners.

## TAX RATE CHANGES

### **CURRENT TAX RATES FOR 2011, 2012 AND 2013**

#### **Tax Rate on Dividends (Non-Corporate Taxpayers)**

<u>2011 and 2012</u>	<u>2013</u>
15% maximum rate	39.6% maximum rate

## TAX RATE CHANGES

### **CURRENT TAX RATES FOR 2011, 2012 AND 2013**

**Maximum Marginal Federal Tax Rate on a C Corporation's Income or Gain that is Distributed as a Dividend to the Shareholders as *Ordinary Income***

<u>2011 and 2012</u>	<u>2013</u>
44.75%	60.74%

## TAX RATE CHANGES

### **CURRENT TAX RATES FOR 2011, 2012 AND 2013**

- **If rates Increase in 2013:**
  - ❖ Will C Corporations become more popular?
  - ❖ Double tax on dividends.
  - ❖ Double tax on sale of assets.

## TAX RATE CHANGES

### **CURRENT TAX RATES FOR 2011, 2012 AND 2013**

- **If no changes before 2013:**
  - ❖ Sell capital gain assets.
  - ❖ Choose not to utilize like-kind exchange provision (Section 1031).
  - ❖ Choose not to use installment sales method (Section 453).
  - ❖ Dispose of installment obligations payable after 12/31/12 (Section 453B).
  - ❖ For S corporations with CE&P, make a distribution or deemed distribution of CE&P.



## CHOICE OF ENTITY

- On May 4, 2011, Senate Finance Committee Chair Max Baucus (D-Mont.), said that the senate will have to consider whether to tax at least some pass-through entities as corporations.
- On March 7, 2012, the House Ways and Means Committee held a public hearing entitled “Tax Treatment of Closely-Held Business in the Context of Tax Reform.”

**CHOICE OF ENTITY**

**Statistics Regarding Choice of Entity**

	<b><u>2010</u></b> <b>(Actual)</b>	<b><u>2011</u></b> <b>(Projected)</b>	<b><u>2015</u></b> <b>(Projected)</b>	<b><u>2018</u></b> <b>(Projected)</b>
<b>Form 1065</b>	3,508,856	3,501,600	3,824,800	4,086,700
<b>Form 1120S</b>	4,508,078	4,527,000	4,929,300	5,252,100
<b>Form 1120</b>	2,016,551	1,926,800	1,814,600	1,759,800