



DRIVING FORCE

Auto Dealer Consulting Group

Serving auto dealers throughout the U.S.A.

SELECTED POINTS FOR DEALERS ON THE AMERICAN TAXPAYER RELIEF ACT OF 2012

Individual Income Tax Rates

The Act maintains the lower tax brackets for all taxpayers and adds a 39.6% bracket for the following:

- Married filing jointly (and surviving spouses) with taxable income in excess of \$450,000,
- Single filers with taxable income in excess of \$400,000,
- Head of household filers with taxable income in excess of \$425,000, and
- Married filing separately filers with taxable income in excess of \$225,000.

Expanding/Improving your Facility?

The 50% bonus depreciation option on all new asset purchases with a recovery period of 20 years or less for 2012 and 2013 remains in place under the new act. Also, the 15 year preferential recovery period for Qualified Leasehold Improvements was retroactively restored to 2012 and remains in effect throughout 2013.

Buying New Equipment?

In addition to the 50% bonus depreciation, small business expensing (Section 179) of new or used equipment up to \$500,000 was reinstated for 2012 & 2013. Remember: Total purchases of qualifying equipment must be less than \$2,000,000 in order to receive the full deduction.

Capital Gain & Qualifying Dividend Income

The Act maintained the 15% income tax rate on L.T. Capital Gains and Qualified Dividends and added a 20% maximum tax rate for taxpayers in the 39.6% tax bracket.

New Medicare 3.8% Tax Planning (Investment Income)

There were no changes to the new tax established by Health Care Reform in 2011. 3.8% additional tax in 2013 and later years on the lesser of Net Investment Income tax (NIIT) or \$250,000 if married filing jointly. This tax may affect dealers operating dealerships in an S-Corp. or LLC/Partnership environment. If the dealer is active, the "flow-through" income from the dealership would not be considered investment income and would not subject to the tax. If the dealer is a "passive" owner then the income will be subject to the 3.8% tax (if income above the income threshold). Careful review of the dealer's position as active vs. passive in each business should be done during 2013.

Alternative Minimum Tax (AMT) for Individuals

With a 28% AMT tax rate for individuals and the new higher regular income tax rates, we expect fewer people to be paying AMT in 2013 and beyond. The Act made permanent the income exemption on a joint return of \$78,750 (indexed for inflation) with the exemption phased out on income above \$150,000 (not indexed for inflation). This is a better situation than the constant "patching" program Congress has been doing that made tax planning a guessing game.

Estate and Gift Taxes

The Act extends the \$5,120,000 of unified gift & estate tax exemption (adjusted for inflation) per person & portability option between spouses. However it adds three additional tax brackets topping off at a maximum 40% rate. Now that we have some permanent estate tax rules in place, let's dust off that estate plan and see if any changes are necessary.

LIFO

No change in this act, but remain vigilant to protect this valuable tax deferral.

Phone: 1-866-99-FORCE (36723)

www.drivingforcecpas.com

Contact your local *Driving Force Member* for more information.

Allan Jay Kovitz
Allan Jay Kovitz, CPA
PO Box D
Point Pleasant, NJ 08742
(855)232-1001 - allan@kovitzcpa.com

Mark A. Schaeffer
Bowden & Wood, CPA's
332 W. Broadway, Suite 505
Louisville, Kentucky 40202
(502)583-0262 - mschaeffer@bowdenandwood.com

Dan Patterson
UHY LLP
27725 Stansbury, Suite 200
Farmington Hills, Michigan 48334
(248) 355-1040 - dpatterson@uhy-us.com

Calvin Tuchscherer
Delap LLP
5885 Meadows Road #200
Lake Oswego, OR 97035
(503) 697-4118 - ctuchscherer@delapcpa.com

Walter Roe
McPhillips, Roberts & Deans, PLC
150 Boush Street, Suite 1100
Norfolk, Virginia 23510
(757) 640-7190 - wroe@mrdcpa.com

Marc Crumback
Crumback & Associates, LLC
10440 Little Patuxent Parkway, Suite 300
Columbia, MD 21044
(410) 740-3000 - marc@crumbackassociates.com

Stanley L. Apple
Apple Growth Partners
1540 West Market Street
Akron, OH 44313
(330) 867-7350 - sapple@applegrowth.com

Dan James
James & Co.
3535 Lincoln Avenue
Ogden, UT 84401
(801) 399-3377 - dan@jamescpas.com

Gemma Thomas
Brimmer Burek & Keelan, LLP
5601 Mariner Street, Suite 200
Tampa, Florida 33609
(813) 282-3400 - GemmaT@bbkm.com

Phil Windschitl
Foti, Flynn, Lowen & Company
P.O. Box 12765
Roanoke, Virginia 24028
(540) 344-9246 - pwindschitl@fflc.com

Todd Stocum
Gearhart & Associates, P.C.
Park Place
800 West Fourth Street, Suite 101
Williamsport, Pennsylvania 17701
(570) 322-1544 - tstocum@gearhartcpa.com

Stuart Goldstein
Samuel Goldstein & Company, P.C.
150 Great Neck Road, Suite 202
Great Neck, New York 11021-3309
(516) 466-3388 - stuart@sgcpas.com

Sergio Fernandez
RFC Advisors, LLC
334 Jungerman Road
St. Peters, MO 63376
(636) 498-1900 - sergio@rfc-llc.com

Michael J. Gallier
Melton & Melton, LLP
One Oak Park
6002 Rogerdale, Suite 200
Houston, TX 77072
(281) 759-1120 - mgallier@melton-melton.com

John Kubiak
Kubiak & Melton, LLC
6747 Academy Road NE, Suite A
Albuquerque, NM 87109
(505) 822-5100 - jkubiak@kubiakcpa.com