

Leif Jensen and Associates

Newsletter

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The first flight by the Wright Brothers was made on December 17, 1903.

The United States Bill of Rights was passed on December 14, 1791.

**Happy Holidays from
Leif Jensen and
Associates!**

2013 IRS Mileage Updates

- 56.5 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Dear Reader,

As CPA's we are committed to providing a full range of high quality professional services including: accounting, bookkeeping, consulting, payroll, management advisory services, income tax preparation, auditing and other attestation services. Our goal is to meet our client's expectations as their most trusted advisor.

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Qualified Plans

The numbers are in for the 2013 qualified plan levels. And there is an increase in what can be deferred.

The maximum 401(k) contribution will rise to \$17,500, an increase of \$500 over this year. Individuals born earlier than 1964 can put in as much as \$23,000. These contribution limits apply to 403(b) and 457 plans as well.

The ceiling on SIMPLEs will rise to \$12,000. Folks age 50 or older in 2013 can put in an additional \$2,500.

Retirement plan contributions can be based on up to \$255,000 of salary.

The pay in limitation for defined contribution plans increases to \$51,000. That is a \$1,000 increase for Keogh plans, profit sharing plans and similar arrangements. The benefit limit for pension plans is set to rise to \$205,000.

The 2013 payin limits for IRAs and Roth IRAs will increase to \$5,500, \$500 higher than for 2012. Anyone who was born in 1963 or earlier can put in an extra \$1,000.

The income ceilings on Roth IRA payins will go up. Contributions phase out at AGIs of \$178,000 to \$188,000 for couples and \$112,000 to \$127,000 for singles.

The deduction phaseouts levels for regular IRAs begin at higher levels, ranging from \$95,000 of AGI to \$115,000 for couples and from \$59,000 to \$69,000 for singles. If only one spouse is covered by a plan, the phaseout zone for deducting a contribution for the uncovered spouse begins at \$178,000 of AGI and finishes at \$188,000.

Yes clear as mud; contact my office or your financial advisor to discuss your situation.

Quick Links

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This Month's Featured Service

Personal Finance Assessment

We can prepare an analysis of your income, expenses, and savings in relation to your specific goals, budget and strategy. This will include a risk tolerance and portfolio assessment and review of insurance and estate documents.

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Social Security/Medicare Tax

For 2013 the Social Security rate for employers will remain 6.2%. The two-percentage-point cut put into effect for 2011 and 2012 will expire on December 31 and go back to the 6.2% rate for employees.

The employer's share of Medicare tax will stay at 1.45% of all compensation in 2013. The employee's share is 1.45%, but a 0.9% Medicare surtax will kick in on singles with wages exceeding \$200,000 and couples earning over \$250,000. The surtax doesn't affect the employer's share. Self-employed also will be subject to the surtax.

This will add an interesting twist into tax returns. Especially for those with multiple businesses.

Salary or Dividends

If you are the owner of a "C" corporation you may want to weigh taking dividends in lieu of salary. This strategy that can pay off if the corporation is in a low tax bracket and the owner is in a high bracket.

The owner's tax savings comes from the 15% top rate on dividends instead of ordinary income; plus the payroll tax savings on the dividend can exceed the extra tax the corporation pays because the dividend isn't deductible.

Unfortunately this strategy will not work for S firms. Or for personal service firms who have to pay a flat 35% tax.

In 2013 the maximum tax rate on dividends received by high-incomers is going up next year on account of the 3.8% Medicare surtax.

2013 will be fun for all.

-Leif Jensen

Featured Client



White Lotus Chiropractic of Oak Park is dedicated to non-surgical and non-prescriptive health care options, with a resounding respect for the mind-body connection. Restoration of balance in the mind, body and spirit is the main goal of our center, utilizing the benefits of many types of physical medicine, including chiropractic medicine, acupuncture, massage therapy and yoga to manifest and sustain this balance. We are dedicated to providing effective, comprehensive and inspired health care options to anyone with a desire to optimize their quality of life and maintain their overall wellness through effective natural methods. Restoration of Health. Promotion of Wellness. Celebration of Spirit.

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