

## **Sticker Shock!**

### **High income taxpayers take note:**

Taxpayers with high incomes are now subject to an assortment of new taxes, tax rates, and deduction limitations - It's not just AMT any more. Who will be affected?



### **Taxpayers with taxable income over \$400,000:**

Those with taxable incomes over \$400,000 (single), \$425,000 (head of household), and \$450,000 (married/joint) will pay tax in the 39.6% tax bracket. That's an extra 4.6%.

The same taxpayers will also face a tax rate on long term capital gains of 20%. That's an extra 5%.

This is the single highest tax increase since 1941.

### **Taxpayers with income over \$250,000:**

Those with income over \$250,000 (single), \$275,000 (head of household), and \$300,000 (married/joint) will start to lose exemptions and itemized deductions.

### **Taxpayers with earned income over \$200,000:**

Taxpayers with earned income in excess of \$200,000 (single) and \$250,000 (married/joint) will owe an additional 0.9% hospital insurance tax on wages (from box 5 of Form W-2) and self-employment income over those levels.

Employers have been withholding the extra tax when wages exceed \$200,000. Self-employed individuals will remit the tax on Form 1040, and those employees who were over or under-withheld will be able to adjust as well.

### **Taxpayers with adjusted gross income over \$200,000:**

Taxpayers with adjusted gross income (line 37 of Form 1040) of over \$200,000 (single) and \$250,000 (married/joint) will pay a 3.8% surtax on their investment income to the extent it exceeds these thresholds. Investment income includes taxable interest, dividends, capital gains, net rental income, and passive K-1 investments.

***Affected taxpayers should adjust withholdings and estimated payments accordingly.***