



## **JCT releases official 2013 individual income tax brackets and standard deduction amounts**

The Joint Committee on Taxation (JCT) has released JCX-2-13R, "Overview of the Federal Tax System as in Effect for 2013," which includes the 2013 individual income tax rates (for singles, heads of household, joint filers, and marrieds filing separate returns), as revised by the American Taxpayer Relief Act of 2012 (the 2012 Taxpayer Relief Act), which was enacted into law on Jan. 2, 2013. JCX-2-13R also includes the 2013 standard deduction amounts and unified credit amount.

*Background.* IRS is required to officially release the inflation adjustments to certain tax provisions by Dec. 15, of the year before they go into effect. However, for 2013, IRS released fewer figures than typical in Rev Proc 2012-41, 2012-45 IRB 539, due to the uncertainty over the possible expiration (sunset) of the tax cuts in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA, P.L. 107-16) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA, P.L. 108-27). In Rev Proc 2012-41, IRS specifically omitted inflation adjusted figures for the tax rate tables under Code Sec. 1, the standard deduction under Code Sec. 63, and the unified credit against estate tax for estates of decedents under Code Sec. 2010(c).

To determine regular tax liability, a taxpayer generally must apply the tax rate schedules (or the tax tables) to his regular taxable income. The rate schedules are broken into several ranges of income—i.e., income brackets. The marginal tax rate increases as a taxpayer's income increases. Separate rate schedules apply based on an individual's filing status (singles, heads of household, joint filers, or marrieds filing separate returns).

To determine taxable income, an individual reduces adjusted gross income (AGI) by any personal exemption deductions (\$3,900 for 2013) and either the applicable standard deduction (as indexed annually for inflation) or his itemized deductions. Additionally, under the 2012 Taxpayer Relief Act, for 2013, the personal exemption phase-out (PEP) reduces a taxpayers personal exemptions

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by 2% for each \$2,500 (\$1,250 for married filing separately), or fraction thereof, by which the taxpayer's AGI exceeds \$250,000 (single), \$275,000 (head-of-household), \$300,000 (married filing jointly), and \$150,000 (married filing separately). These threshold amounts are indexed for inflation.

For 2013, JCX-2-13R provides that the regular individual income tax rate schedules are:

#### 2013 RATE SCHEDULES

##### FOR SINGLE INDIVIDUALS

(OTHER THAN HEADS OF HOUSEHOLDS AND SURVIVING SPOUSES)

If taxable income is:	The tax would be:
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Not over \$8,925	10% of taxable income
Over \$8,925 but not over \$36,250	\$892.50 plus 15% of the excess over \$8,925
Over \$36,250 but not over \$87,850	\$4,991.25 plus 25% of the excess over \$36,250
Over \$87,850 but not over \$183,250	\$17,891.25 plus 28% of the excess over \$87,850
Over \$183,250 but not over \$398,350	\$44,603.25 plus 33% of the excess over \$183,250
Over \$398,350 but not over \$400,000	\$115,586.25 plus 35% of the excess over \$398,350
Over \$400,000	\$116,163.75 plus 39.6% of the excess over \$400,000

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FOR HEADS OF HOUSEHOLDS

If taxable income is:

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Not over \$12,750

Over \$12,750 but not  
over \$48,600

Over \$48,600 but not  
over \$125,450

Over \$125,450 but not  
over \$203,150

Over \$203,150 but not  
over \$398,350

Over \$398,350 but not  
over \$425,000

Over \$425,000

The tax would be:

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10% of taxable income

\$1,275.00 plus 15% of the  
excess over \$12,750

\$6,652.50 plus 25% of the  
excess over \$48,600

\$25,865.00 plus 28% of the  
excess over \$125,450

\$47,621.00 plus 33% of the  
excess over \$203,150

\$112,037.00 plus 35% of the  
excess over \$398,350

\$121,364.50 plus 39.6% of the  
excess over \$425,000



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## FOR MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES

If taxable income is:

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Not over \$17,850

Over \$17,850 but not  
over \$72,500

Over \$72,500 but not  
over \$146,400

Over \$146,400 but not  
over \$223,050

Over \$223,050 but not  
over \$398,350

Over \$398,350 but not  
over \$450,000

Over \$450,000

The tax would be:

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10% of taxable income

\$1,785.00 plus 15% of the  
excess over \$17,850

\$9,982.50 plus 25% of the  
excess over \$72,500

\$28,457.50 plus 28% of the  
excess over \$146,400

\$49,919.50 plus 33% of the  
excess over \$223,050

\$107,768.50 plus 35% of the  
excess over \$398,350

\$125,846.00 plus 39.6% of the  
excess over \$450,000



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## FOR MARRIEDS FILING SEPARATE RETURNS

If taxable income is:

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Not over \$8,925

Over \$8,925 but not

over \$36,250

Over \$36,250 but not

over \$73,200

Over \$73,200 but not

over \$111,525

Over \$111,525 but not

over \$199,175

Over \$199,175 but not

over \$225,000

Over \$225,000

The tax would be:

-----

10% of taxable income

\$892.50 plus 15% of the

excess over \$8,925

\$4,991.25 plus 25% of the

excess over \$36,250

\$14,228.75 plus 28% of the

excess over \$73,200

\$24,959.75 plus 33% of the

excess over \$111,525

\$53,884.25 plus 35% of the

excess over \$199,175

\$62,923.00 plus 39.6% of the

excess over \$225,000

*Standard deductions.* JCX-2-13R provides that the 2013 basic standard deduction amounts are:

Joint return or

surviving spouse

\$12,200 (up from

\$11,900 for 2012)

Single (other than

head of household

or surviving spouse)

\$6,100 (up from

\$5,950 for 2012)

Head of household

\$8,950 (up from

\$8,700 for 2012)

Married filing

separate returns

\$6,100 (up from

\$5,950 for 2012)

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*Unified credit amount.* JCX-2-13R provides that the unified credit for taxable transfers in 2013 (gift and estate) is \$2,045,800 which translates to an exemption amount of \$5,250,000.

**RIA observation:** JCX-2-13, as originally issued, was replaced the same day by a revised version, JCX-2-13R, which modified the description of the 2013 exemption amounts for alternative minimum tax liability in release. Specifically, the revised document changes the dollar amounts from \$80,750 to \$80,800 for married individuals filing a joint return and surviving spouses and from \$40,375 to \$40,400 for married individuals filing separately.

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